

BUDGET



BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 2001

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2001 contains the Budget Message of the President and information on the President's 2001 budget proposals. In addition, the *Budget* includes the Nation's third comprehensive Government-wide Performance Plan.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2001 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective.

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

Historical Tables, Budget of the United States Government, Fiscal Year 2001 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment covering an extended time period—in most cases beginning in fiscal year 1940 or earlier and ending in fiscal year 2005. These are much longer time periods than those covered by similar tables in other budget documents. As much as possible, the data in this volume and all other historical data in the budget documents have been made consistent with the concepts and presentation used in the 2001 Budget, so the data series are comparable over time.

Budget of the United States Government, Fiscal Year 2001—Appendix contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committee. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, and proposed general provisions applicable to the appropriations of

entire agencies or group of agencies. Information is also provided on certain activities whose outlays are not part of the budget totals.

A Citizen's Guide to the Federal Budget, Budget of the United States Government, Fiscal Year 2001 provides general information about the budget and the budget process for the general public.

Budget System and Concepts, Fiscal Year 2001 contains an explanation of the system and concepts used to formulate the President's budget proposals.

Budget Information for States, Fiscal Year 2001 is an Office of Management and Budget (OMB) publication that provides proposed State-by-State obligations for the major Federal formula grant programs to State and local governments. The allocations are based on the proposals in the President's budget. The report is released after the budget and can be obtained from the Publications Office of the Executive Office of the President, 725 17th Street NW, Washington, DC 20503; (202) 395-7332.

AUTOMATED SOURCES OF BUDGET INFORMATION

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

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

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

<http://www.gpo.gov/usbudget>

For more information on access to the budget documents, call (202) 512-1530 in the D.C. area or toll-free (888) 293-6498.

GENERAL NOTES

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

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I. THE BUDGET MESSAGE OF THE PRESIDENT

The Federal Government Dollar Fiscal Year 2001 Estimates

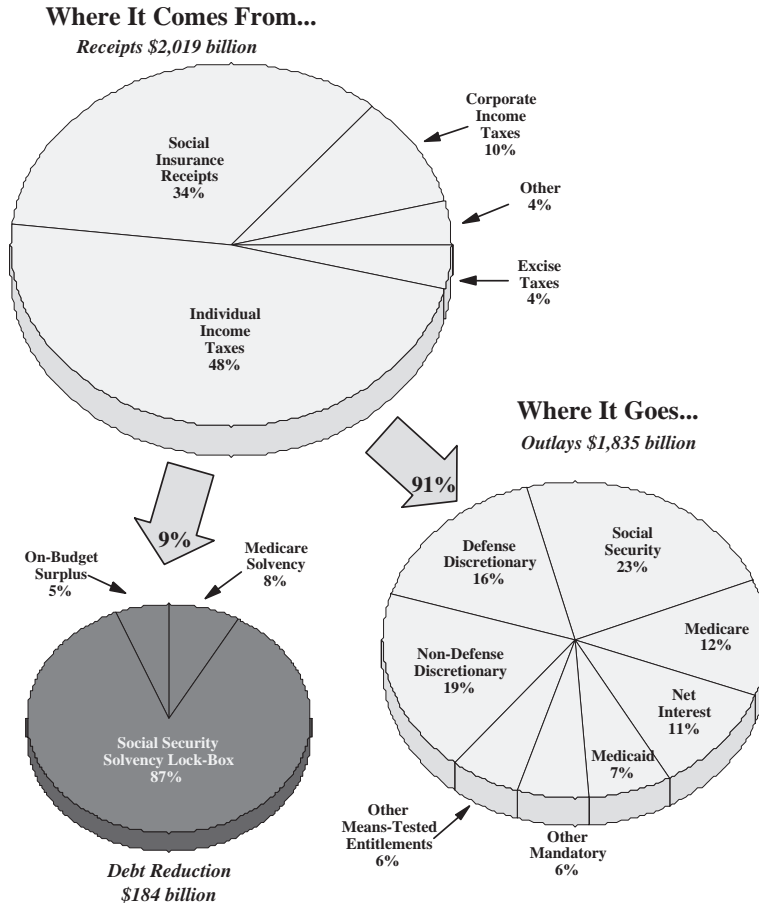


Table I-1. Budget Totals
(In billions of dollars)

	1999 Actual	Estimates										Total 2001-2010	
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		2010
Receipts	1,827	1,956	2,019	2,081	2,147	2,236	2,341	2,440	2,559	2,676	2,785	2,917	24,202
Outlays	1,703	1,790	1,835	1,895	1,963	2,041	2,125	2,185	2,267	2,362	2,456	2,553	21,683
Total unified budget surplus	124	167	184	186	185	195	215	256	292	314	329	363	2,519
Debt Reduction:													
Social Security solvency lock-box	124	148	160	172	184	195	214	224	239	250	260	272	2,169
Medicare solvency transfers			15	13				26	47	57	61	80	299
Reserve for catastrophic prescription drug coverage								4	5	7	8	11	35
On-Budget surplus	1	19	9	1	*	*	2	1	1	*	*	*	16
Total debt reduction	124	167	184	186	185	195	215	256	292	314	329	363	2,519

* \$500 million or less.

THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The 2001 Budget, which I am submitting to you with this message, is the fourth balanced budget of my Administration. This budget upholds my policy of fiscal discipline and promises new opportunity for our Nation.

We have made great progress in the last seven years, rejecting the fiscal disarray of an earlier era and in its place, asserting a steadfast commitment to live within our means, balance the budget, and uphold fiscal discipline. As a result, we have created the conditions for unprecedented prosperity. The longest peacetime economic expansion in American history has produced more than 20 million new jobs. Unemployment has hit its lowest level in a generation. Today, more Americans own their own homes than ever before in our Nation's history.

Our success in reversing what once seemed to be uncontrollable growth in the Federal budget deficit has created more than prosperity. We have restored to America a spirit of purpose and confidence. This is a rare moment in history. Few nations are blessed with a combination of economic prosperity and social stability at home and with the security of a relatively peaceful world. It is time to make the most of this moment of promise to extend prosperity to all corners of our Nation.

My first budget of the new century is built upon a commitment to expanding opportunity, promoting responsibility, and building community. It includes my New Markets Initiative, which relies on public and private sector cooperation to spur economic development in areas of our Nation that have not yet fully benefited from this wave of prosperity. It includes an expansion of the Earned Income Tax Credit to lift more hard-pressed working families out of poverty. It expands health insurance coverage to more

uninsured low-income children and extends this coverage to their hard-working parents.

Because education is fundamental to creating opportunity, my budget contains resources to prepare the next generation for the future with new and expanded efforts to improve the quality of our schools, prepare our students for college, and make college more accessible. It includes efforts to narrow the digital divide, the gap that separates those who have access to information technology and those who do not, so that all will be equipped with the technological tools they need to succeed. It also includes a science and technology initiative to lay the foundation for new scientific breakthroughs.

This budget responds to the pressing needs of today and builds an America of the future by making our Nation debt free by 2013. To be prepared for the retirement of the baby boom generation, my budget also provides a framework to extend the life of the Social Security and Medicare trust funds, while modernizing Medicare with a needed prescription drug benefit.

This budget uses the same straightforward approach of relying on conservative assumptions, as have all the budgets of my Administration. This conservative approach has built confidence in our budgets, because when unforeseen results have materialized, an inevitable development in forecasting, they have always brought good news. In turn, reversing recent trends, my 2001 Budget builds on the tradition of straightforward budgets to meet the pressing needs of today in a balanced plan that adheres to the principles of fiscal discipline and debt reduction. This budget also maintains a strict set of budget rules upholding our long commitment to fiscal discipline, which has sustained the conditions for our economy to flourish.

The 2001 Budget continues to project that the Federal budget will remain in surplus for many decades to come, provided that a responsible fiscal policy holds course, to foster sustained economic growth. Our challenge now, in this era of surplus, is to make balanced choices to use our resources to meet the pressing needs of today, and the needs of generations to come.

Building on the Success of Our Fiscal Discipline

When I took office in 1993, the current strength of our economy seemed beyond possibility. At that point, both the Federal budget deficit and the national debt had exploded, threatening our economic future. The costs of massive Federal borrowing drove interest rates up, incomes were stagnant for all but the most well off, and the economy had barely grown during the prior four years. The Nation needed a new course, and we worked hard to secure the passage of legislation, with the support of Democrats in Congress, to get the economy moving again.

My three-part economic strategy, built upon reducing the deficit, investing in the American people, and engaging the international economy yielded results. The budget deficit quickly began to drop from its peak of \$290 billion, and in 1997, we pressed ahead with our deficit reduction efforts as Congress passed the Balanced Budget Act on a bipartisan basis to finish the job. Four years ahead of schedule, the budget reached balance and is projected this year to produce its third surplus in a row. We have started to pay down the national debt and are on a path to make the Nation debt free by 2013 for the first time since 1835.

Throughout the past seven years, my Administration has been committed to creating opportunity for all Americans, demanding responsibility from all Americans, and strengthening the American community. The crime rate, which had tripled during the previous three decades, continues to fall and crime is down in every region of the Nation. We have reformed the welfare system, and more than seven million Americans in the

past seven years have made the transition from welfare to work.

Most of all, the prosperity and opportunity of our time offers us a great responsibility—to take action to ensure that Social Security is there for the elderly and the disabled, while ensuring that it not place a burden on our children, that the life of Medicare is extended for future generations, and that we modernize Medicare with a needed prescription drug benefit. If we continue to follow sound fiscal policy, we can provide for the future, produce a balanced tax cut and meet the needs of today, while sustaining the conditions that have brought us this current wave of prosperity. All this can be done, but balanced and sound fiscal policy is the key.

Improving Performance Through Better Management

At the start of this Administration, the Vice President and I set out to create a Government that works better, costs less, and gets results Americans care about. We believe that with better stewardship, the Government can better achieve its mission and improve the quality of life for all Americans. The success of these efforts is reflected in the significant changes of the past seven years in the way Government does business.

We have streamlined Government, cutting the civilian Federal work force by 377,000, giving us the smallest work force in 39 years. We have done more than just reduce or eliminate hundreds of Federal programs and projects. We have also empowered government employees to cut red tape, and used partnerships to get results.

While we have made real progress, there is still much work to do. We are forging ahead with new efforts to improve the quality of the service that the Government offers its customers. My Administration has identified its highest priorities—24 Priority Management Objectives listed in this budget, that will receive heightened attention to ensure positive changes in the way Government works. It is a mark of our success that in early 2000, we were able to remove last year's number one objective from the list: Manage the Year 2000 (Y2K) Computer

Problem. Due largely to the efforts of Federal employees and the leadership provided by my Council on Year 2000 Conversion, the Federal Government's Y2K efforts were, beyond all expectation, remarkably trouble free. We will continue to move ahead to address other priorities, including modernizing student aid delivery, implementing IRS reforms, and strengthening the management of Health Care Financing Administration, which oversees Medicare.

I believe the steps we have taken to change and improve the way Government works have also changed the way Americans view their Government, increasing the confidence and trust of the American public. It is our job to keep at this task, so that the Federal Government continues to improve its performance and the American public is better served. I am determined that we will do more to solve the very real management challenges before us.

Strengthening our Nation in the 21st Century

Education, in our competitive global economy, has become the dividing line between those who are able to move ahead and those who lag behind. For this reason, I am committed to ensuring that we have a first-rate system of education and training in place for Americans of all ages. Over the last seven years, we have worked hard to ensure that every boy and girl is prepared to learn, that our schools focus on high standards and achievement, that anyone who wants to go to college can get the financial help to attend, and that those who need another chance at education and training, or a chance to improve or learn new skills, can do so. My budget builds on the commitment to make college more affordable by expanding the tax credits for higher education and increasing Pell Grants and other college aid beyond the record levels already reached. It promotes smaller learning environments in high schools and invests in reducing class size by recruiting and preparing thousands more teachers and building thousands more classrooms, as well as providing for urgent and essential school repairs.

My budget includes significant increases to expand access to after-school and other extended learning time opportunities, a central element of my accountability agenda to help children, especially in the poorest communities, reach challenging academic standards while supporting efforts to demand more from schools and support them in return. It promotes efforts to recruit teachers in high-poverty areas and includes a peer review initiative to help school districts raise teacher standards and teacher pay. The budget proposes improving school accountability by holding States, districts and schools accountable for results by providing resources to identify and turn around the worst-performing schools, and incentives to reward States that do the most to improve student performance and close the achievement gap. It invests in programs to help raise the educational achievement of Latino students. And my budget supports efforts to narrow the digital divide by expanding resources for technology centers to make computers accessible in low-income community areas.

During the past seven years, we have taken many steps to help working families, and we continue that effort with this budget. We cut taxes for 15 million working families, provided a tax credit to help families raise their children, ensured that 25 million Americans a year can change jobs without losing their health insurance, made it easier for the self-employed and those with pre-existing conditions to get health insurance, provided access to health care coverage for up to five million uninsured children, raised the minimum wage, and provided guaranteed time off for workers who need to care for a newborn or to address the health needs of a family member.

I am proposing a significant expansion of the Earned Income Tax Credit to provide support to America's hard working, low-income families, especially larger families who are more likely to be poor than families with only one or two children. My budget also significantly increases 21st Century Learning Community Centers and expands after-school learning time. It makes child care more affordable by expanding tax credits for middle-income families and for businesses that provide child care services to their employees,

by assisting parents who want to attend college meet their child care needs, as well as making a child care tax credit available to parents who choose to stay at home to raise a young child. My budget proposes to create an Early Learning Fund and builds on our expansion of the successful Head Start program to help meet the goal of serving one million children by 2002. And it promotes responsible fatherhood by proposing tough new measures to ensure that all parents who can afford to pay child support do so, while providing support to increase the employment earnings and child support payments of low-income fathers. My budget includes efforts to increase access to food stamps for the working poor, in part by proposing that low-income working families, who need efficient transportation to get to work, be permitted to own a modest vehicle and retain food stamp eligibility. And, it proposes resources to provide health care to legal immigrant children, to restore Supplemental Security Income benefits to legal immigrants with disabilities, and to restore food stamp benefits to legal immigrants in families with eligible children.

We have continued to improve health care for millions of Americans. Since the establishment of the State Children's Health Insurance Program in 1997, two million children have enrolled in programs across all 50 States. I am proposing a significant expansion of this successful program to extend health coverage to more children in hard working, low-income families. My budget also extends this coverage to their parents, low-income working adults who lack health insurance, which will help increase the enrollment of their children by enabling entire families to receive coverage through the same program. My budget contains other significant incentives to increase access to affordable health care, including tax credits for small businesses and a provision to allow hundreds of thousands of Americans aged 55 to 65 to purchase Medicare coverage.

My budget puts forth a plan that extends Medicare solvency to at least 2025, respects fiscal discipline, and eliminates the national debt. My plan will modernize Medicare with a needed drug benefit, expand access to preventative benefits, and improve Medicare

management. I intend to keep pressing ahead and working with Congress to enact essential patient protections including emergency room access and the right to see a specialist. By Executive Order, I have extended these rights to 85 million Americans covered by Federal health plans, including Medicare and Medicaid beneficiaries and Federal employees.

Most Americans are enjoying the fruits of our strong economy, yet we must do more to bring this prosperity to all corners of our great Nation. We must use this moment of promise to spread the values of community, opportunity, and responsibility, and to help create the conditions for all to share in our prosperity. My New Markets Initiative, an expanded approach built upon the same public-private cooperation at the center of last year's plan, will provide tax credit and loan guarantee incentives to stimulate tens of billions of dollars in new private investment in distressed rural and urban areas. It will build a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's untapped markets, and provide the expertise to targeted small businesses that will allow them to use investment to grow. I am also proposing to expand the number of Empowerment Zones, which provide tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through my Community Development Financial Institutions program. My budget also includes significant funding increases for Native American communities to help this generation and future generations receive greater opportunities. It provides additional funds to enforce the Nation's civil rights laws, and strengthens the partnership we have begun with the District of Columbia. In addition, my budget proposes an \$11 billion package for farmers in need and to help mend the farm safety net by providing assistance when crop prices are low.

Our anti-crime strategy is working. Serious crime has fallen without interruption, and the murder rate is at its lowest point in three decades. Building on our successful community policing (COPS) program that is helping communities fund 100,000 cops on the beat, the 21st Century Policing initiative

was enacted last year to put us on track to fund new anti-crime technology and 50,000 more police. This year, I am launching the largest gun enforcement initiative ever, adding funds to hire 500 new ATF agents, 1,000 State and local gun prosecutors and funds for smart gun technology. The budget also provides funds to prevent violence against women, and to address the growing law enforcement crisis on Indian lands. To boost our efforts to control illegal immigration, the budget provides resources to strengthen enforcement, particularly on the Southwest and Northern borders, and to remove illegal aliens. To combat drug use, particularly among young people, my budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction.

During the past seven years, I have sought to strengthen science and technology investments in order to serve many of our broader goals for the Nation in the economy, education, health care, the environment, and national defense. Building on the balanced portfolio of basic and applied research in the 21st Century Research Fund, my budget includes a Science and Technology Initiative which places special emphasis on high-priority, long-term basic research, including nanotechnology, the manipulation of matter at the atomic and molecular level, which offers the promise that medical science may one day be able to detect cancerous tumors when they are comprised of only a few cells. My budget also increases resources for the Information Technology research and development program to invest in long-term research in computing and communications. It will accelerate development of extremely fast supercomputers to support civilian research, enabling experts to develop life-saving drugs, provide earlier tornado warnings, and design more fuel-efficient, safer automobiles. The budget provides strong support for the Nation's two largest sources of civilian basic research funding for universities: the National Science Foundation and the National Institutes of Health.

The Nation does not have to choose between a strong economy and a clean environment. The past seven years are proof that we can have both. We have set tough new

clean air standards for soot and smog that will prevent up to 15,000 premature deaths a year. We have set new food and drinking water safety standards and have accelerated the pace of cleanups of toxic Superfund sites. We expanded our efforts to protect tens of millions of acres of public and private lands, including Yellowstone National Park, Florida's Everglades, and California's redwoods. Led by the Vice President, the Administration reached an international agreement in Kyoto that calls for cuts in greenhouse gas emissions. My budget significantly expands support for the environment, by establishing dedicated funding and increasing resources for the historic interagency Lands Legacy initiative to preserve the Nation's natural and historic treasures. My budget also supports the Clean Energy initiative to reduce the threat of global warming, and the Greening the Globe initiative to save tropical and other forests around the globe. It provides resources to support farm conservation to upgrade water quality, the Clean Water Action plan to clean up polluted waterways, and climate change technology efforts to increase energy-efficient technologies and renewable energy to strengthen our economy while reducing greenhouse gases.

In the past year, America's leadership was essential to the success of the NATO alliance in halting the ethnic cleansing of Kosovo's ethnic Albanians and containing the risk of wider war at the doorstep of our allies. The United States has played a critical role in the strides made toward lasting peace in Northern Ireland, the Middle East, and Sierra Leone. The United States has worked to detect and counter terrorist threats and continue efforts with Russia and other former Soviet nations to halt the spread of dangerous weapons materials. My budget seeks to build on these efforts, proposing funding to build a democratic society and stronger economy in Kosovo, initiatives to further protect our men and women overseas, and a 2000 emergency supplemental to provide critical assistance to the Government of Colombia in its fight against narcotics traffickers. My budget also proposes funding to promote international family planning, contain the global spread of AIDS, promote debt forgiveness to help people in the world's poorest

countries join the global economy, and promote trade by opening global markets.

The Armed Forces of the United States serve as the backbone of our national security strategy. As it did successfully last year in Kosovo, the military must be in a position to protect our national security interests and guard against the major threats to U.S. security. These include regional dangers, such as cross-border aggression; the proliferation of the technology of weapons of mass destruction; transnational dangers, such as the spread of illegal drugs and terrorism; and, direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction. To ensure that the military can fulfill this mission, I made a major commitment last year to maintain our military readiness, which this budget builds upon with additional resources to ensure that the services can meet required training standards, maintain equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment. To help improve the quality of life and strengthen the Department's ability to attract and retain quality individuals, this budget includes a major initiative to reduce servicemembers' out-of-pocket costs for off-base housing. In addition, this budget provides resources for the Department of Defense and other agencies to combat emerging threats, including terrorism and weapons of mass destruction, and to provide for critical infrastructure protection. It provides funds to support counter-narcotics efforts, including a 2000 supplemental to increase assistance to the Government of Colombia in their fight against narcotics traffickers. It also

provides additional funding for contingency operations in Southwest Asia, Bosnia, and Kosovo.

Building Prosperity for the Future

This is a rare moment in American history. Never before has our Nation enjoyed so much prosperity, at a time when social progress continues to advance and our position as the global leader is secure. Today, we are well prepared to make the choices that will shape our Nation's future for decades to come.

By reversing the earlier trend of fiscal irresponsibility, balancing the budget, and producing a historic surplus, we have restored our national spirit and produced the resources to help opportunity and prosperity reach all corners of this Nation. We have it within our reach today, by making the right choices, to offer the promise of prosperity to generations of Americans to come. If we keep to the path of fiscal discipline, we can build a foundation of prosperity for the Nation's future.

My plan to extend the solvency of Social Security and Medicare allows the United States to become debt-free in the next 13 years, for the first time since 1835. Eliminating the debt will strengthen our economy, devote resources to Social Security, and prepare us to meet the challenges of the aging of America. Through fiscal discipline and wise choices we can extend the life of Social Security to the middle of the century, extend the solvency of Medicare until 2025, and modernize Medicare with a needed prescription drug benefit.

By continuing to maintain discipline, we can provide for the aging of America and for the investments of the future—including education, the environment, research and development, and defense—which are central to our economic growth, health, and national security. By making choices that respect fiscal discipline, we can make room to provide

both for a balanced tax cut and for investments that will help this Nation stay strong in the future.

This new century is filled with promise, for we live at a remarkable time. By making wise choices, we have it within our power to extend the same promise and prosperity to generations to come.

WILLIAM J. CLINTON

February 7, 2000

II. BUILDING ON THE SUCCESS OF OUR FISCAL DISCIPLINE

II. BUILDING ON THE SUCCESS OF OUR FISCAL DISCIPLINE

We made the tough choices to reduce the deficit and balance the budget the right way. Year in and year out, we have resisted politically attractive, but economically unwise tax cuts that would have abandoned this commitment and taken us in the wrong direction... And in the last two years alone, we had paid down our Nation's debt by \$140 billion, the largest debt reduction in our Nation's history. We have closed the book on deficits and opened the door on a new era of economic opportunity... Debt reduction really means a tax cut, and a sizeable one, for America's families. It proves that putting our fiscal house in order helps every American household.

President Clinton
October 1999

The dawn of this new century has brought with it extraordinary opportunities for the American people. Today, our economic success is unparalleled and we are poised to enter the longest economic expansion in our Nation's history. From the largest Federal budget deficit in history only seven years ago we have produced the largest surplus in history. Moreover, with our fiscal house in order, we have started to pay down the national debt held by the public, and if we maintain sound fiscal policy, we can eliminate the debt in the next 13 years, making the United States debt free for the first time since 1835.

When President Clinton took office seven years ago, the Federal budget deficit had exploded. It dominated the Government's ability to make policy and imposed an insidious burden on our economy. In 1992, the \$290 billion deficit—the largest in American history—was projected to continue spiraling upward without restraint. The economy suffered, interest rates were high, and job creation stalled. Capital that should have been used for productive investments to create new jobs instead was used to finance the Government's massive deficit-driven borrowing.

We can now look back with pride at our progress and ahead with confidence as we consider the success of our fiscal discipline

and the opportunity we have to build upon it. Today, we have lower interest rates, a higher level of investment, and unprecedented prosperity. Our economy has added more than 20 million new jobs. The unemployment rate is the lowest in 30 years, the welfare rolls are down by more than 50 percent since 1993, the core inflation rate is the lowest in 35 years, and more Americans own their own homes than at any time in our history.

Tomorrow holds even greater promise. The President's deficit reduction policy has produced historic surpluses and has put us on a path to pay down and eliminate the debt. Compare that to the record of the past. In the 12 years before the President came to office, the debt had quadrupled and equaled nearly 50 percent of the Nation's annual production, draining funds that could have been devoted to other uses in order to pay the interest costs on the debt. If the President had not adopted the policy of aggressive deficit reduction the debt was projected to double again, nearing 70 percent of the Nation's economy by 2001 and imposing nearly \$400 billion in interest costs next year. Instead, as the debt begins to reverse course and head downward, we have an extraordinary opportunity to make America debt free by 2013.

The President's plan to save Social Security would protect the entire Social Security surplus and dedicate it to debt reduction, and would extend the solvency of the program to mid-century. The President also proposes to extend the solvency of Medicare until at least 2025, and to modernize the program with a needed prescription drug benefit. Paying down the debt will improve the Nation's ability to uphold existing commitments to Social Security, freeing resources that would have gone to interest costs and devoting them instead to extending the solvency of the program. The President's sustained commitment to saving Social Security already has produced agreement that it is essential to protect the Social Security trust fund. It is time to meet the challenges of this new century to ensure that we extend the solvency of Social Security and uphold our commitments to generations to come by investing in the future.

The President's Agenda: The Path to Prosperity

The President has achieved one of his first and most important goals: to get the economy moving again. He did this by spearheading a controversial and courageous program to revive the Nation's economy. His economic strategy was built upon three elements: fiscal discipline; investing in policies that strengthen the American people; and, engaging in the international economy, including expanding global trade.

The President's 1993 economic plan, which he worked with the Congress to enact, was the centerpiece of this strategy. It cut spending, slowed the growth of entitlements, and raised taxes on only the very wealthiest Americans. At the same time, this plan cut taxes for 15 million working families and made 90 percent of small businesses eligible for tax relief. And, it began an ongoing effort to invest in education and training and in research to boost productivity and, thus, promote higher living standards.

His three-pronged plan of deficit reduction, international engagement, and targeted investments provided resources for the American people. The plan both ensured that key investments for the American people strength-

ened their prospects for the future, and took broader fiscal measures to put the Nation's economy on the right track.

Despite critics' predictions that this strategy would fail, causing recession and even larger deficits, the President's plan built the foundation for the great prosperity that is America's today. In the summer of 1997, the President and the Congress joined together in an historic agreement to finish the job of balancing the budget. The results of this bipartisan action, the Balanced Budget Act (BBA), provided the final push, bringing the budget to balance a full four years earlier than projected. Like the President's 1993 plan, the BBA also provided for strategic investments in the American people.

The Record of Fiscal Discipline and Targeted Investments

The 2000 Budget maintained fiscal discipline, protected the surplus, forged a path of debt reduction, and did so while providing resources for a strategy of targeted investments to maintain economic growth and provide for the future needs of the Nation. The President worked with Congress to establish and build upon significant investments in education and training, the environment, law enforcement, and other priorities. For example, last year the President's commitment has:

- Provided the second year's investment to reduce class size by hiring 100,000 new teachers. Smaller classes ensure that students receive more individual attention, a solid foundation in the basics, and greater discipline in the classroom. In its second year, the class size initiative has already reduced class size in participating schools by an average of five students. The proposed investments in this area will reduce class size in the early grades to a national average of 18 students.
- Increased Head Start's ability to provide greater opportunities for disadvantaged children to participate in a program which prepares them for grade school. In 2000, a boost in Head Start funding will put 880,000 children into the program, making further progress toward the President's

goal of putting a million children in Head Start by 2002.

- Established the 21st Century Policing Initiative, which builds upon the success of the President's Community Oriented Policing Services (COPS), that added 100,000 police officers to local beats and has contributed to the Nation's lowest crime rate in 25 years. The 21st Century Policing Initiative provides funding for up to an additional 50,000 officers by 2005, provides significant funds for the latest anti-crime technologies, and engages communities in fighting crime by funding new community-based prosecutors and partnerships with parole officers, school officials, and faith based organizations.
- Created Lands Legacy, an historic inter-agency initiative, which strengthens efforts at the local, State, and Federal levels to preserve our national heritage by protecting the Nation's natural treasures and historic places for Americans today and tomorrow. Funding for Federal land acquisition will protect for future generations precious natural and historic sites, including parks, forests, wildlife refuges, and environmentally sensitive lands throughout the Nation.
- Protected and restored some of the Nation's most treasured lands, such as Yellowstone National Park, the Everglades, and California's redwoods, provided the funds to conserve many others, and accelerated toxic waste clean-ups.
- Advanced cutting-edge research with an increase last year for the National Institutes of Health of \$2.3 billion—a total of \$7.5 billion since 1993—an increase of 73 percent by 2000, to support a portfolio of research including intensified work on diabetes, cancer, genetic medicine, and the development of an AIDS vaccine.

Last year, the President also proposed a budget that respected fiscal discipline, met the Nation's needs of today, and planned to uphold our commitments for the future. In his 2001 Budget, the President maintains the course of fiscal discipline, proposes a

plan to extend the solvency of Social Security and Medicare and provides the resources for targeted investments to keep our Nation's economy and its people strong. The budget offers balanced tax relief and provides for the pressing needs of today, including expanding health care coverage for America's hard pressed working families. The budget does so in a way that balances these essential needs, and upholds fiscal discipline now and in the future.

Improving Performance Through Better Management

A key element in the Administration's ability to expand strategic investments and keep the budget balanced is improving performance through better management. Improved stewardship of the Government can help it better achieve its mission and improve the quality of life for all Americans. To this end, the President and Vice President have streamlined Government, reducing its work force by 377,000, and eliminated obsolete or duplicative programs.

The Administration, however, is working to create not just a smaller Government—but a better one, a Government that provides services and benefits to its ultimate customers, the American people. When Government works for the people—when citizens receive good basic services and have faith in the Government that provides them—their trust in Government can be restored.

Therefore, the Administration is forging ahead with new and additional efforts to improve the quality of the service that the Government offers its customers. It has identified its highest priorities—24 Priority Management Objectives (PMOs) that will receive heightened attention to ensure positive changes in the way Government works. These PMOs include modernizing student aid delivery, implementing IRS reforms, and strengthening the management capacity of the Health Care Financing Administration, which oversees Medicare. (For a full discussion of the Administration's management agenda, see Section V, "Improving Government Performance.")

Investing in the Future to Save Social Security and Medicare

President Clinton, through his sustained commitment to save Social Security, has lead the way and has built support for general agreement that it is essential to protect the Social Security trust fund. The next challenge in saving Social Security is to secure and dedicate resources to extending the solvency of Social Security. The President has proposed a framework for saving Social Security; it builds upon our successful fiscal discipline and the resources it has provided to the Nation. The President proposes to devote the entire Social Security surplus to paying down and eliminating more than \$3 trillion of debt held by the public by 2013. This will produce substantial interest savings that can be used to strengthen and extend the solvency of the program. The President's plan commits a portion of the benefits that have resulted from the successful strategy of fiscal discipline by dedicating the interest savings to the Social Security trust fund, extending its solvency to the middle of the century.

It is essential that the Nation uphold its existing commitments to the Medicare program, upon which elderly Americans depend, while modernizing its prescription drug benefits. The President's plan extends the solvency of the Medicare program by relying on the benefits of debt reduction to strengthen and extend the life of the program, and dedicates \$299 billion of the budget surplus over 10 years. This will extend the solvency of Medicare to at least 2025, preserving access to, and quality of, the program's benefits that are an essential part of our Nation's commitment to aged Americans.

While preparing for the demographic changes of the future, this budget also builds upon efforts to invest in the American people, to meet the pressing needs of today, and to lay the foundation to meet those of the future. The budget continues this policy of helping working families with their basic needs—raising their children, sending them to college, and expanding access to health care. It also invests in education and training, the environment, science and technology, law enforcement, and other priorities to help

raise the standard of living and quality of life of Americans.

The President is proposing major initiatives that will continue his investments in high-priority areas—from expanding access to health care for more low-income children and their hard working parents through the SCHIP health insurance program; to allowing Americans from 55 to 65 to buy into Medicare; to expanding the Earned Income Tax Credit for hard working, low-wage families and helping with their child care expenses, to helping States and school districts recruit and prepare thousands more teachers and build thousands more classrooms; and, to making every effort to fight gun violence in our society.

Families and Children: For seven years, the President has sought to help working families balance the demands of work and family. In this budget he proposes a major effort to expand the Earned Income Tax Credit to help lift up hard working, low-wage families, to make child care more affordable, accessible, and safe by expanding child care tax credits for middle-income families and for businesses to expand their child care resources, and increasing funds with which the Child Care and Development Block Grant can help more poor and near-poor children. The budget proposes to create the Early Learning Fund, which would provide grants to communities for activities that improve early childhood education and the quality of child care for those under age five. It also promotes responsible fatherhood both with measures to encourage child support and to help fathers enter and stay in the work force to meet their responsibility to their families.

Health Care: The President has worked hard to expand health care coverage and improve the Nation's health. His budget proposes a plan to extend the solvency of Medicare to 2025, while modernizing the program with a needed prescription drug benefit. The budget gives new insurance options to hundreds of thousands of Americans aged 55 to 65. In addition, it proposes an expansion of the successful SCHIP program to reach additional low-income children and their hard working parents.

The President's budget proposes initiatives to help patients, families, and care givers cope with the burdens of long-term care.

The budget also enables more Medicare recipients to receive promising cancer treatments by participating more easily in clinical trials.

Education: The President has worked to enhance access to, and the quality of, education and training. The budget takes the next steps by continuing to help States and school districts reduce class size by recruiting and preparing thousands more teachers and building and repairing thousands more classrooms. The President proposes improving school accountability and supporting student achievement by promoting high standards and providing the support to meet them, including funding additional education hours through programs like the 21st Century Community Learning Centers. The budget also proposes further increases in the maximum Pell Grant to help low-income undergraduates complete their college education.

Environment: The Administration proposes building upon the historic interagency Lands Legacy initiative to both preserve the Nation's natural and historic treasures and advance preservation of open spaces in every community. This budget provides significantly increased funding for this effort, and establishes a dedicated and protected source of funding to continue these efforts in the years ahead. This initiative will give State and local governments tools for orderly growth while protecting and enhancing green spaces, clean water, wildlife habitats, and outdoor recreation. The Administration also proposes a Livable Communities initiative to further creation of open spaces in urban and suburban areas, ease traffic congestion, improve water quality, and clean up abandoned industrial sites. In addition, the budget proposes funding to accelerate efforts to address the threat of global warming, including energy-efficient technologies and tax credits for the purchase of energy-efficient cars; to restore and rehabilitate national parks, forests, wildlife refuges, and other public lands and facilities; to expand efforts to restore farmland and protect the water quality of rivers and lakes; to continue efforts to increase the number of Superfund cleanups; and, to protect endangered species.

International Affairs and Defense: The President has worked to bring peace to troubled parts of the world. He stood firm in the

fight against the vicious campaign of ethnic cleansing in Kosovo, and now is working to restore peace, stability, and democracy there. The United States has played a leadership role in Northern Ireland, Bosnia, and the Middle East. This budget also provides critical assistance to the people of Colombia whose democratically elected Government has developed a multi-year strategy to fight narcotics traffickers.

The 2001 Budget also supports debt relief as a way to help lift up the poorest nations of the world, thereby advancing stability, economic growth and, in turn, promoting global trade. Attacks on U.S. embassies abroad have shown there are inherent dangers in the work of diplomacy. This budget builds on last year's multi-year plan, with increased funding to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. It also supports significant increases in funding for State Department programs to address the threats posed by weapons of mass destruction. The budget also increases funding for programs that support U.S. manufacturing exports and continues our long standing policy of opening foreign markets.

The mission of our Armed Forces has changed in this post-Cold War era, and in many ways it is more complex. Today, the U.S. military must guard against major threats to the Nation's security, including regional dangers like cross-border aggression, the proliferation of the technology of weapons of mass destruction, transnational dangers like the spread of drugs and terrorism, and direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction. The U.S. Armed Forces are well prepared to meet this mission. This budget builds upon last year's sustained increase in funding for military readiness by providing additional resources, and builds for the future through programs for weapons modernization, and to support military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment.

Looking Ahead

At the start of this new century, the Nation is blessed with prosperity and a renewed spirit of confidence. There is much to be proud of in America today. We have not simply put our fiscal house in order by balancing the budget; we have left behind an era in which the budget deficit constrained the Government's ability to make wise choices about the future.

Today, our prosperity, purpose, and renewed confidence have prepared us to meet new challenges—spreading opportunity to all corners of our Nation, continuing to invest in the American people, and holding fast to the strategy of fiscal discipline that has been critical to our success. We must make efforts to reach those who have not yet been touched by this current wave of prosperity, giving all Americans the chance to share the values of community, opportunity, and responsibility. We must continue to invest in the American people—by preparing them through education and training to compete in the global economy, by funding the research that will lead to the technological tools of the next generation, by helping working parents balance the twin demands of work and family, and by providing investment to our distressed communities in order to bridge the opportunity gap. And, while we pursue and meet these challenges, we must

not lose sight of the critical element that has been the source of so much success—our firm commitment to fiscal discipline.

We now have an opportunity to meet the pressing needs of today and provide for the needs of the future. Our strategy of fiscal discipline means that with a continuation of sound fiscal policy, we will be able to eliminate the debt and extend the solvency of Social Security and Medicare while modernizing the Medicare program with a needed prescription drug benefit. We can do so while meeting the need for targeted investments to keep our economy growing in the future and while addressing the pressing needs of today. We are prepared to keep the Nation strong by continuing to invest in the American people.

This is truly an exceptional moment in America—the economy is prosperous, the budget is in balance, and we have a unique opportunity to plan for the future. Seven years ago, at the start of this Administration, few would have imagined that our Nation would enjoy such prosperity and opportunity. Today, as we measure and acknowledge the remarkable progress of the past seven years, it is our obligation to look forward to future generations and to make the best choices possible so that they too can share in the extraordinary opportunity and prosperity of America.

III. SUSTAINING OUR ECONOMIC PROSPERITY

III. SUSTAINING OUR ECONOMIC PROSPERITY

In 1993, Vice President Gore and I took office determined to change our course, to follow a new economic strategy founded on fiscal discipline, investment in our people, and expanded trade. Today the success of that strategy is very much in evidence . . . America has come a long way in the last seven years—from recession to recovery; from economic disorder to a fiscal house finally in order. We have even begun to pay down our debt. By putting first things first, by saving Social Security and strengthening Medicare, our Nation can actually become debt free for the first time since 1835, when Andrew Jackson was President.

President Clinton
August 1999

When President Clinton took office in 1993, his greatest priority was to get the economy moving again and, in turn, restore prosperity and purpose to our Nation. To reach this goal, it was essential to reverse the unrestrained growth of the Federal budget deficit. In the previous 12 years, the budget deficit had exploded, sapping resources from productive investment and undermining confidence in the Government's ability to help shape our economic future for the better.

The President confronted a Federal budget deficit that had grown enormously since 1981—at \$290 billion dollars in 1992, the deficit was the largest in the Nation's history. During the same period, the string of annual budget deficits added to the national debt held by the public.¹ The debt grew by \$2.3 trillion in 12 years to reach a total of \$3 trillion dollars in 1992. The publicly held debt was so large that it required, on an annual basis, almost 15 cents of every Federal dollar to provide for the interest costs to finance it. The Government's massive borrowing also imposed costs on the private sector; higher interest rates made it more expensive for Americans to finance home mortgages and other borrowing, and for American businesses to finance investments upon

which the Nation's job creation and economic expansion depend.

Seven years later, the economy is strong, the budget is balanced, the publicly held debt is declining and can be eliminated in 2013. There are many measures of the economy's success: during this Administration, the economy has grown at an average inflation-adjusted rate of 3.8 percent; there are more than 20 million new jobs; and, the unemployment rate is at its lowest point in 30 years. The Administration's fiscal policy produced a profound reversal of course from the largest Federal budget deficit in history to the largest surplus in history, resulting in a total of \$1.8 trillion in deficit reduction in the course of seven years. We have begun to reduce the publicly held debt, paying down \$140 billion of debt and saving \$8 billion in annual debt service costs. This turnaround in the national debt can continue. If we keep the course of a sound fiscal policy, we will eliminate publicly held debt by 2013, making the United States a debt-free Nation for the first time since 1835.

The Path to Prosperity

Immediately after taking office, the President moved to set the Nation's economic path right by introducing his three-part economic plan. This strategy was based upon: fiscal discipline, making Government more efficient, controlling the growth in spending,

¹National debt held by the public (or publicly held debt) means funds that the Government has borrowed from—and owes to—the public.

and taking measures to cut significantly the Federal budget deficit; targeted investments, including education and research and development; and, engagement in the international economy, including expansion of global trade, and opening markets for American exports.

Several months later, after tireless efforts by the President, his Administration, and Democrats in Congress, Congress passed the Omnibus Budget Reconciliation Act (OBRA) of 1993 with its deficit reduction plan to cut the deficit in half as a percentage of the economy in five years. To finish the job of eliminating the deficit, the President and Congress joined in a bipartisan effort to pass the 1997 Balanced Budget Act (BBA), which reached its goal four years ahead of schedule, producing the first budget surplus in a generation in 1998. In six years, after inheriting the largest deficit in history, a \$290 billion deficit, the President and his successful strategy produced the largest surplus in history, a \$69 billion surplus, and proceeded to build on that accomplishment with another historic surplus, \$124 billion, in the seventh year of the Administration.

The turnaround in the budget under President Clinton is the largest deficit reduction in dollar terms in our history; and relative to the economy, the improvement is the greatest since the years immediately following the massive deficits of World War II. Last year, 1999, marked the second year in a row that the budget was in surplus—the first back-to-back surpluses since the post-war economic boom of the mid-1950's.

The surplus has allowed the Government to turn the corner and to retire some of the publicly held debt, reducing the accumulated obligations from past deficits and bringing down the Government's ongoing interest costs. Because we have paid down the debt by \$140 billion, while the economy has grown, debt service costs have declined almost to 12 cents on every Federal dollar, which produced a savings of \$8 billion due to lower interest payments. By adhering to the path of fiscal discipline, the publicly held debt can be eliminated by 2013, which in turn will eliminate massive interest payments to finance the debt. In 1999, such interest payments amount to \$230 billion.

These results are all the more remarkable when compared with the projected results if this Administration had not tackled the difficult problem of deficit reduction. If the Clinton Administration had not changed the inherited policy, with the same trajectory of growth, in 2001, the publicly held debt would exceed \$6 trillion, or 67 percent of Gross Domestic Product (GDP), draining 17 cents from each Federal dollar to cover interest costs. Instead, the publicly held debt is now projected to be \$3.3 trillion, or 33 percent of GDP, and declining. Under the President's long-term plan to meet the demographic changes of the Nation by strengthening Social Security and Medicare, to which debt reduction is central, debt held by the public can be reduced to zero by 2013.

The President's fiscal policy soon yielded changes in the economy that are so broad and enduring that February 2000 marks the achievement of the longest economic expansion in this Nation's history. At the very start of the President's deficit reduction strategy, financial markets responded to the prospect of meaningful deficit reduction by substantially reducing long-term real interest rates (that is, actual market rates minus expected inflation). These lower real interest rates reduced the cost of borrowing, prompting more business investment, which resulted in faster economic growth, increased job creation, rising productivity, and higher real wages.

The numbers confirm this story of economic success. Long-term real interest rates under President Clinton have been lower than those of the previous 12 years by an average of 1¼ percentage point. The rate of real economic growth in this Administration has averaged 3.9 percent per year—compared with an average growth rate of 2.8 percent per year in the previous 12 years. In the past seven years, more than 20 million new jobs were created. At 4.1 percent in December, 1999, the unemployment rate is at its lowest rate in three decades and has fallen by more than three percentage points since 1992. Productivity has risen by 2.7 percent annually in the last four years. As a result, after two decades of stagnant wages, real wages have grown during this Administration, for a total of 6.5 percent growth. The number

of people in poverty has dropped by 4.8 million, and 7.2 million Americans have left the welfare rolls.

The economy continues to thrive, in part because price inflation has dropped. While the economy has continued its expansion, strong productivity growth, reflecting the pay-offs of public and private investments in people and business, has helped keep inflationary pressures in check while supporting solid real wage gains. The underlying core rate of inflation was 1.9 percent in 1999, the lowest rate in more than 30 years. Slower inflation is not characteristic of previous economic booms and has contributed to the longevity of this expansion. The decline in the inflation rate and falling unemployment have produced the lowest “misery index”

since the 1960s. (The index combines the unemployment and inflation rates.)

Budgetary Performance

Deficit Reduction has Far Exceeded Projections: In the 12 years of spiraling budget deficits before President Clinton took office, the national debt held by the public quadrupled, growing by \$2.3 trillion.

In dollar terms, this was the largest buildup of Federal debt in the Nation’s history. The President’s program, enacted by Congress in 1993, OBRA, was a crucial step toward fiscal responsibility. The Administration expected OBRA to reduce the deficit significantly; but the actual improvement in the budget has been more than twice what was originally projected.

Economic Growth and Fiscal Discipline Benefit the American People

President Clinton’s economic program has concentrated on changes that benefit the American people in their daily lives and their prospects for the future. The success of this strategy is clear:

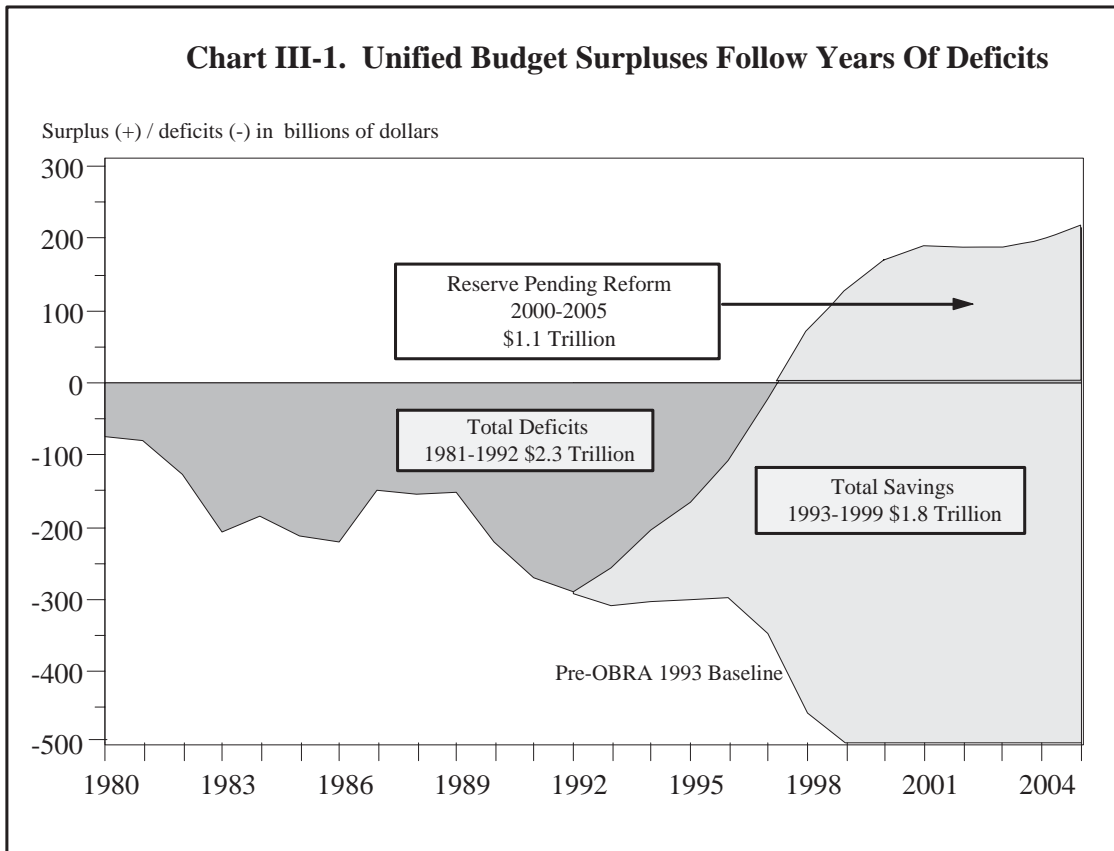
- The economy has created more than 20 million jobs since January 1993, nearly all of them in the private sector, most of them full-time, and in sectors that pay good wages.
- The unemployment rate is the lowest it has been in 30 years; for African Americans and Hispanics, unemployment is lower than at any time in the quarter-century for which separate statistics have been kept.
- Work has begun to pay more, reversing a two-decade trend of declining real wages—hourly wages have grown a cumulative 6.5 percent, boosting household incomes throughout the economy.
- Median family income, adjusted for inflation, has increased by \$5,046 in 1998 dollars, rising from \$41,691 in 1993 to \$46,737 in 1998.
- After two decades of income decline and stagnation, Americans at the lower end of the income scale—those in the poorest 20 percent of households—have seen a rise in their real incomes. Since 1993, their incomes have risen by almost \$900 per household (in 1998 dollars), a 10-percent increase.
- In the past seven years, 7.2 million people have left the welfare rolls, a 51-percent decline. Welfare recipients now account for the lowest percentage of the U.S. population since 1967. Meanwhile, 1.5 million people who were on welfare in 1997 are now working, and all States have met the work requirements imposed by the 1996 welfare reform law.
- From 1993 to 1998, the number of poor people in America declined by 4.8 million, and there are 2.1 million fewer poor children. The poverty rate has declined sharply from 15.1 percent to 12.7 percent, the lowest it has been since 1979.
- Crime rates are at the lowest level in over 25 years.
- A record number of Americans now own their own homes, which was made possible by lower real interest rates and larger real incomes. More than eight million additional households are homeowners since the President took office.

To finish the job of eliminating the budget deficit, the President worked with the Congress to enact the bipartisan BBA in mid-1997, which set a goal of reaching a balanced budget by 2002. Because of fiscal discipline and unexpectedly good economic performance, the budget went into surplus in 1998, four years sooner than projected. Upon OBRA's enactment, the Administration had projected that it would reduce the accumulated deficits from 1994 to 1998 by \$505 billion. In fact, the back-to-back surpluses in 1998 and 1999, combined with reduced deficits from 1993 through 1997, were responsible for \$1.8 trillion of deficit reduction (see Chart III-1). The total deficit reduction from 1993 to 2005 will be approximately \$6.7 trillion.

The Clinton Economic Policy has Reversed the Debt Buildup of the 1980s: When the Government runs a deficit, it must borrow from the public to finance the excess outlays, in turn accumulating what is known as publicly held debt. For much of our Nation's his-

tory, the accumulation of debt was traditionally associated with the need to provide for wartime expenses. For example, compared with the size of the economy as measured by GDP, publicly held Federal debt accumulated to a sum even greater—peaking at 109 percent at the close of World War II in 1946. For many years after that, the economy grew faster than the debt, and the ratio of debt to GDP gradually fell to about 25 percent in the 1970s. The exploding deficits of the 1980s sent it back up; debt held by the public peaked at 50 percent of GDP in 1993. Since then, the Administration's policy of deficit reduction has steadily reduced this ratio. The back-to-back surpluses of 1998 and 1999 have even cut into the dollar amount of publicly held debt, driving down the size of the debt relative to the economy still faster. Publicly held debt is expected to fall to 21 percent of GDP by 2005, and to be eliminated by 2013.

Without a change in policy, both OMB and the Congressional Budget Office (CBO)

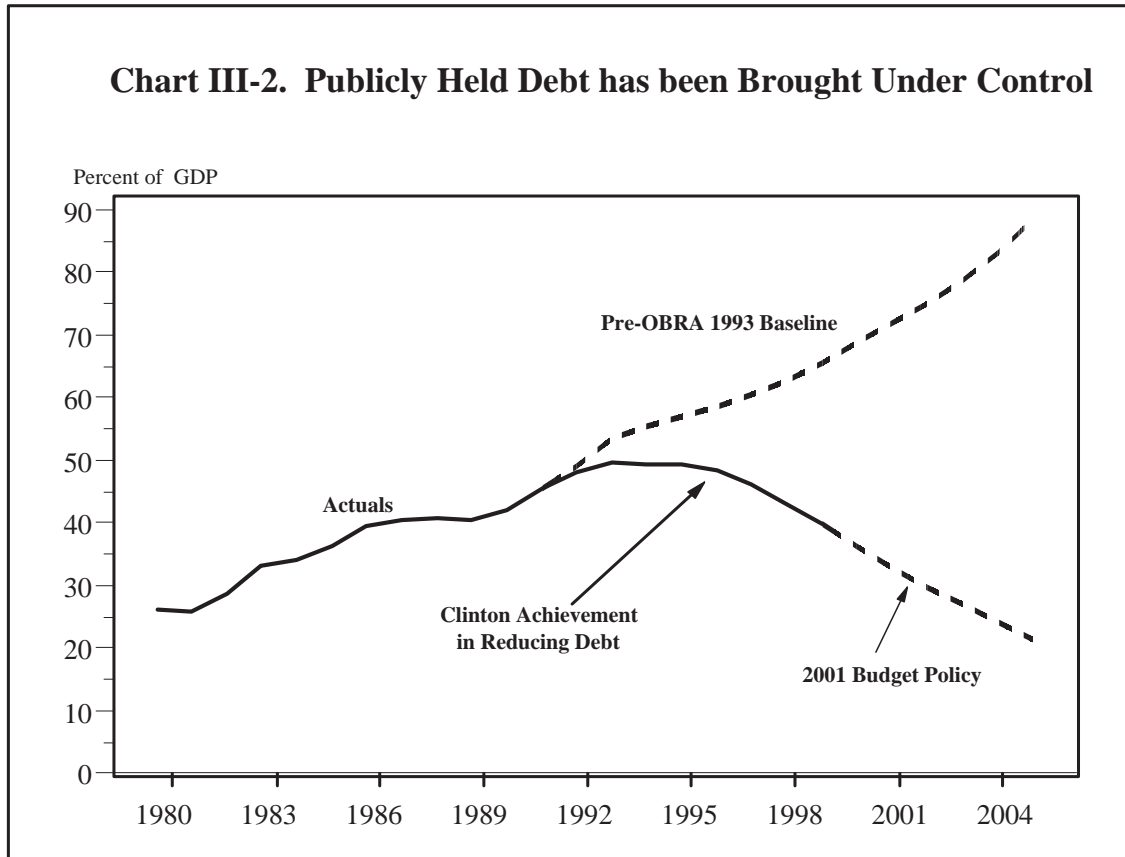


had projected publicly held debt would have approached \$7 trillion, or 75 percent of GDP, by 2002, and would have reached even higher levels thereafter. Instead, because of the Clinton economic program, at the end of 1999, the ratio of publicly held debt to GDP had already fallen about 22 percentage points below projections made just before the Administration began pursuing its concerted policy of deficit reduction (see Chart III-2).

There is a Surplus by any Measure: Until recently, the unified budget has been the most commonly used framework for tallying the Federal Government’s deficits and surpluses. The unified budget includes all Government receipts and spending, including Social Security contributions and benefits. This measure is the most appropriate to use in evaluating the effect of the Federal Government’s operations on the economy; obviously, for that purpose, it is essential to leave nothing out.

Because contributions to Social Security have been greater than the benefits paid out, the Social Security trust funds have been accumulating surpluses. In the unified budget, these Social Security surpluses are counted toward the unified surplus. Without the Social Security surplus, the unified budget would not have been balanced in 1998.

Recently, attention has been focused on the budget surplus or deficit excluding Social Security trust fund surpluses—the so called “on-budget” surplus or deficit (which also excludes the relatively small surplus or deficit in the U.S. Postal Service fund). Within this budget framework there has also been a large reduction in the deficit over the past seven years (see Chart III-3). The on-budget deficit has fallen from \$340 billion in 1992, to a \$1 billion surplus in 1999. In 2000, it is expected that the surplus will be larger, at \$19 billion. The improvement in the unified budget for the past seven



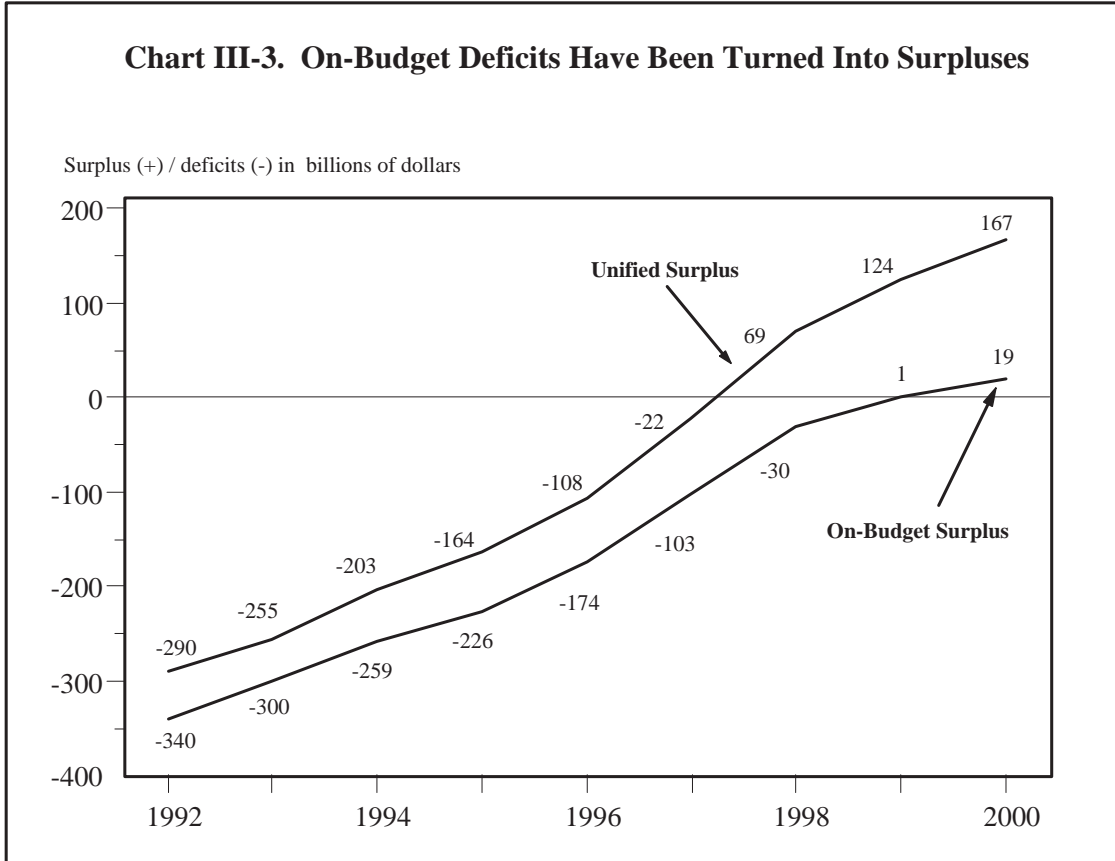
years is due primarily to the decline in the on-budget deficit.

Government Expenditure as a Share of the Economy has been Reduced: Federal spending reached a higher share of the economy during the previous two Administrations than at any other time since the end of World War II; it was still near its peak, at 22.2 percent of GDP, in 1992. The defense buildup in the early part of the 1980s, higher Federal interest payments because of increased debt plus high interest rates, and large increases in the cost of Federal health programs overwhelmed all efforts to reduce spending. This pattern has been reversed under President Clinton, while, at the same time, this Administration has made investments in education, the environment, and other priorities. During the last five years, the ratio of Federal spending to GDP has steadily declined, and in 1999 it was only 18.7 percent, a smaller percentage of the economy than at any time in a quarter century.

Economic Prosperity has Spurred Receipts: A healthy economy and a booming stock market have led to a surge of Federal tax receipts. In the past seven years, receipts have generally been higher and spending lower than projected in the budget, leading to more deficit reduction than expected. Most recently, the surprisingly strong growth in receipts has been especially important in bringing the budget into surplus well ahead of schedule, in turn starting the reduction of the national debt.

The United States is a World Leader in Budgetary Performance: In the 1980s, the United States was criticized by world leaders for its large budget deficits, which were seen as driving up worldwide interest rates and threatening global economic growth. The Clinton Administration's fiscal policies have put an end to this criticism. The United States can now point proudly to its fiscal policy as a model for other countries. The United States is a leader among the G-7 nations; only Can-

Chart III-3. On-Budget Deficits Have Been Turned Into Surpluses



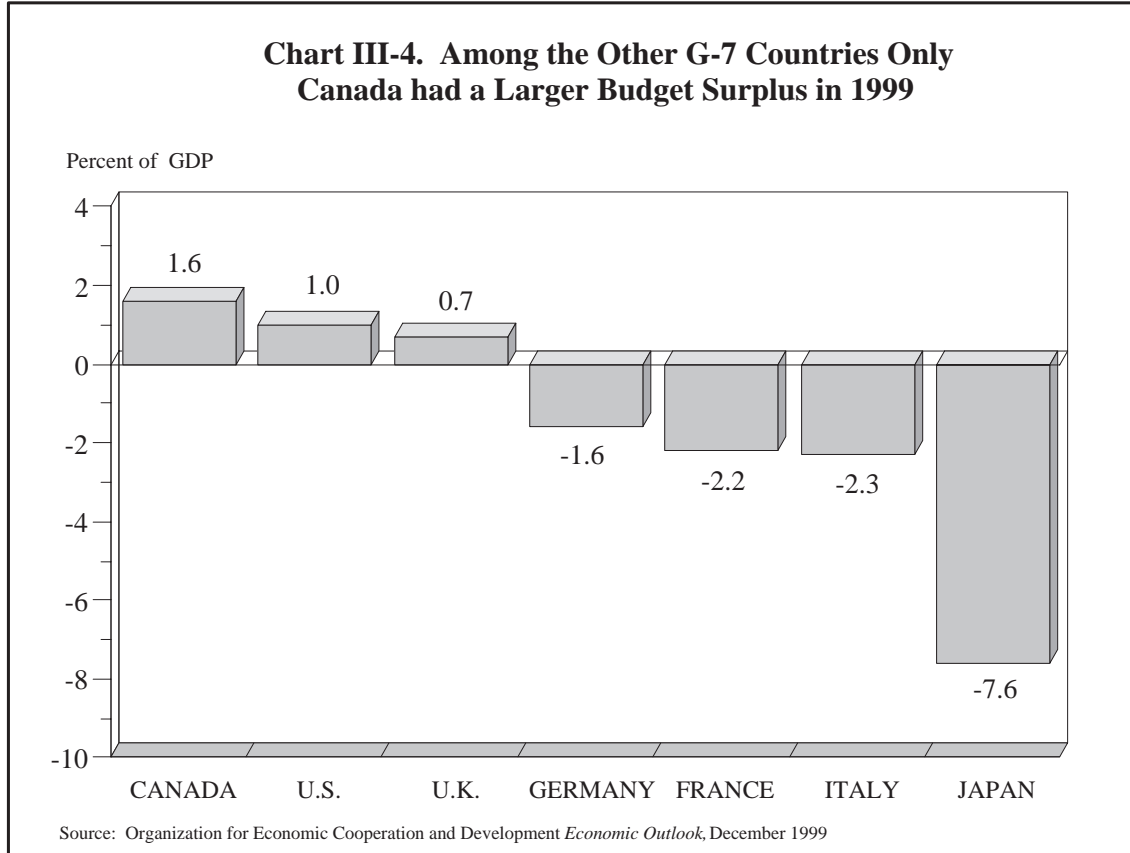
ada runs a larger surplus as a percentage of its GDP, and four of the other five nations are in deficit (see Chart III-4). The reason for this outstanding U.S. performance is comparatively low public spending. The share of GDP devoted to taxes is lower in the United States than in any other leading country, even though the United States supports a much larger defense establishment than the other G-7 countries and maintains a balanced budget.

Economic Performance

The Administration’s strategy of reducing the Federal budget deficit while investing in people and opening foreign markets has helped to unleash a powerful surge of private economic activity. Eliminating the deficit has freed savings to finance private investment in business and housing, and enabled the Federal Reserve to maintain generally lower interest rates for the past seven years; in turn, that has helped maintain and strengthen

the economic expansion. Businesses have been able to borrow for capital improvements at favorable interest rates. New home buyers have been drawn into the housing market because of the lower interest rates, while current homeowners have been able to refinance their mortgages. The strong economy has fostered confidence among consumers and businesses, reinforcing the effects of the fiscal and monetary policy. The surge in business and residential investment since the early 1990s shows that the Administration’s fiscal policy is working; and with the budget now balanced and producing a surplus, prospects for continued economic progress are excellent.

The Expansion Sets a New Record: This February, the economic expansion enters its 107th month, setting a new record as the longest expansion in U.S. history (statistics go back to the middle of the 19th Century). Earlier post-World War II expansions have generally been curtailed when rising inflation has forced the Federal Reserve to raise interest



rates to curb demand. Demand has grown very rapidly in the United States, but inflation has generally drifted downward, so monetary policy has been able to accommodate the growing economy. Such a moderate inflation performance this long into an expansion is unique in post-war economic history.

The Administration's Fiscal Policy has Helped Extend the Expansion: Federal budget deficits that were ultimately unsustainable helped stimulate the two other lengthy post-World War II economic expansions—the one in the 1960s and the other in the 1980s. In those earlier instances, an expanding Government dragged the private sector along—but those stimulative policies could not continue indefinitely, because they caused rising inflation and Federal debt. When the stimulus ended, the expansions lost their underpinnings.

In the expansion of the 1960s, the deficit was restrained at first, but it grew sharply after 1965 because of spending for the war in Vietnam, which helped bring on the inflation that marked the end of the decade, and with it the expansion. In the early 1980s, the “structural budget deficit” (the deficit that would remain even if the economy were at high employment) was pushed to almost five percent of GDP by large tax cuts and expanded military spending.¹ Though the actual deficit declined after the deep 1981–1982 recession was over, the “structural deficit” did not. The Government's failure to curb the structural deficit once the 1980s recovery was under way held up interest rates, contributing to the financial problems that marked the end of that decade and helped to bring on the recession of 1990–1991.

In contrast, during the current expansion, the Federal budget deficit has been eliminated; and that shift in fiscal policy has facilitated the rise in private investment that propelled the economy forward.

This Expansion has been Led by a Strong Private Sector: Since President Clinton took office in 1993, the economy has grown

at an average rate of 3.9 percent per year after adjustment for inflation, compared with an average growth rate of 2.8 percent over the previous 12 years. Recent growth has been driven by increased demand for private goods and services. The Federal Government's direct claim on GDP (mainly defense and other discretionary spending, not counting transfer payments) has actually shrunk over the past 6¾ years at an average real rate of 0.6 percent per year, while the private sector of the economy has grown at a 4.2 percent annual rate. Meanwhile, 92 percent of the more than 20 million jobs created during this Administration have been in the private sector (and Federal Government employment has shrunk by 377,000, as described in Chapter 10, “Restoring Trust in Government”).

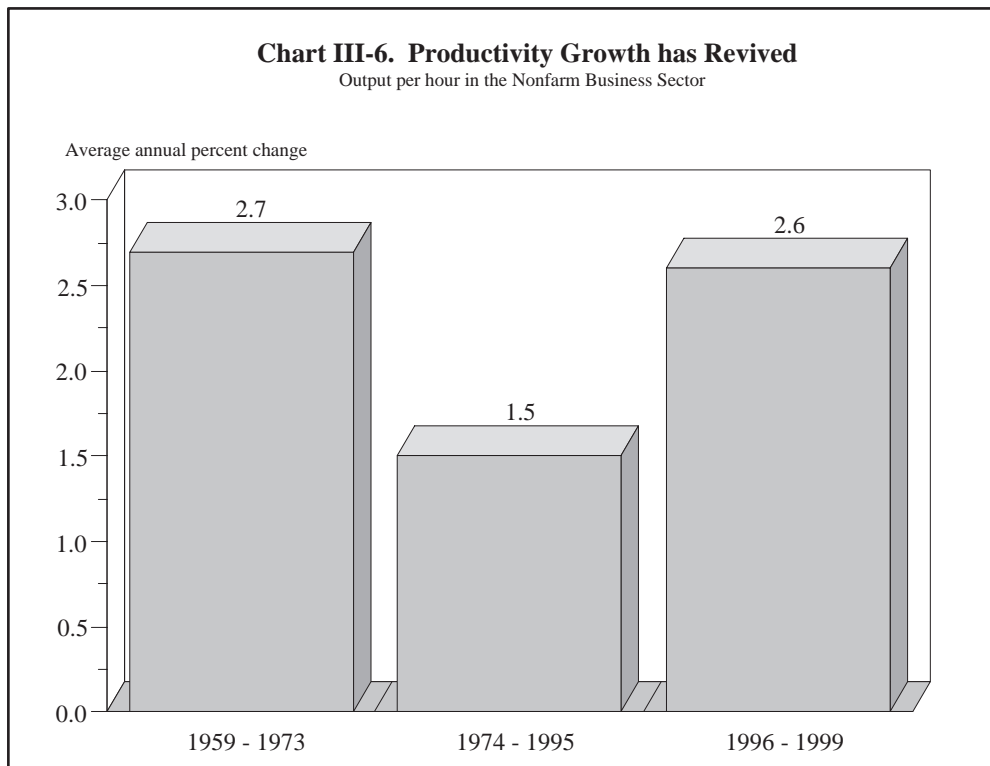
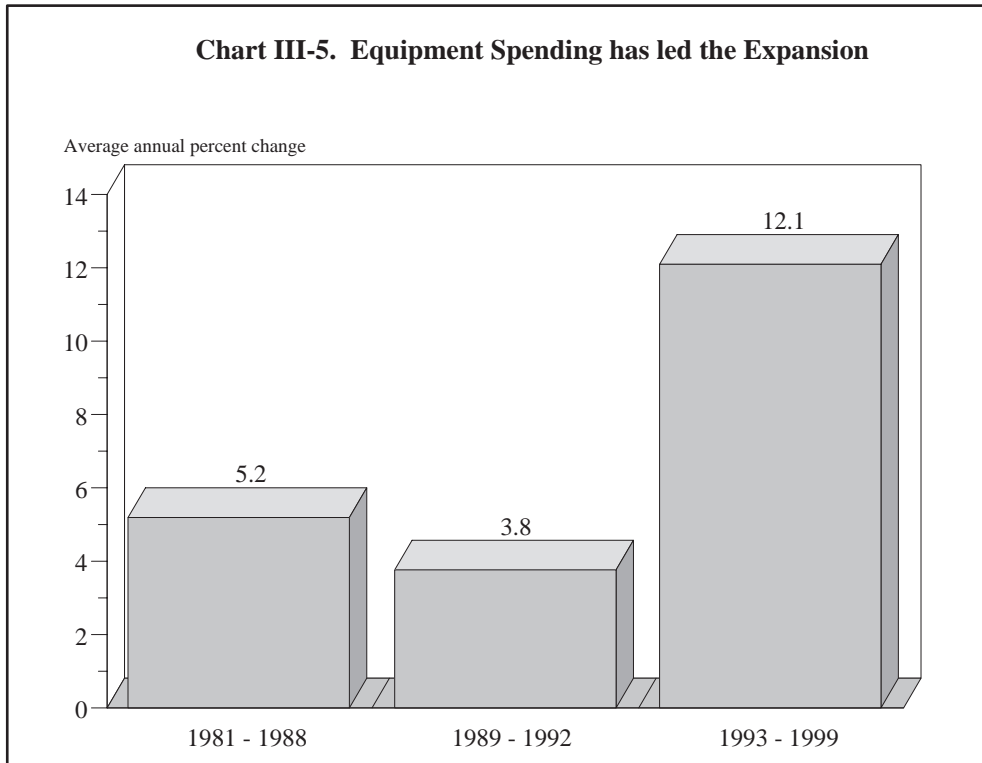
Business Investment has Spurred Growth: The ratio of real business equipment investment to real GDP has reached record levels: 11.2 percent in the fourth quarter of 1999. Since the beginning of 1993, inflation-adjusted equipment investment has grown at an annual rate of 12.1 percent, more than 2½ times its annual rate of growth from 1980 through 1992 (see Chart III–5).

Investment growth is important for two reasons:

- Investment adds to the economy's productive capacity by providing more capital goods.
- New equipment added to the capital stock contains the latest technology; so the more we invest, the faster we adopt new production techniques.

Both additions to capacity and the adoption of new technology make workers more productive, and have helped to restore productivity growth to its fastest pace since the 1960s. Increases in productivity are the only way to raise real wages and average living standards over the long term, because employers cannot pay workers more unless they are producing more. Increased productivity also helps curtail inflation by allowing business to pay workers more without increasing prices because the workers' additional output pays for the higher wages.

¹The structural deficit is the budget gap that would remain after removing the effects of the business cycle on spending and receipts (along with purely temporary factors, such as the annual budgetary effects that arose from the crisis in the Savings and Loan industry).



Productivity Growth has Revived: In the 1970s, productivity growth (the average annual growth rate in output per hour in the nonfarm business sector) fell sharply, from 2.7 percent per year to 1.5 percent. Lower productivity growth meant a slowdown in real wage growth and stagnating living standards. With productivity growing at nearly three percent per year, living standards double every generation. With productivity growing at only 1.5 percent per year, each generation sees only a 50 percent improvement in living standards, and many within each generation can find themselves falling behind the living standards of their parents (see Chart III-6).

For 20 years following the 1970s slowdown, productivity growth stayed at the new slower rate. Since then, however, productivity growth has staged a remarkable recovery. On average, in the four years since the third quarter of 1995, output per hour in nonfarm business has been rising by 2.7 percent per year. This is the same growth rate as before the slowdown.

It is still too soon to know for sure if the earlier trend has returned permanently. Some of the extra growth could be due to temporary factors that will be discernable only with the passage of time but the fact that the higher trend has endured for four years makes it more likely to persist. This is welcome news, not only for businesses seeking to hold down costs and maintain a competitive pricing structure, but also for American workers and their families, who once again see real improvements in their standard of living.

The Lowest Misery Index in 30 Years: Both unemployment and inflation have continued to fall even as the expansion finishes its ninth year. Last year, unemployment fell to 4.2 percent, the lowest annual average since 1969; inflation, at 1.9 percent (as measured by the core CPI, excluding volatile food and energy prices), was the lowest since 1965. The misery index—the combination of the inflation rate and the unemployment rate—is lower than at any time since the 1960s (see Chart III-7).

Unemployment Rates and Interest Rates are Both Low: The combination of interest rates and unemployment is at its lowest in

decades. Generally, since President Clinton took office, interest rates have been below the average levels of the 1980s. It is noteworthy that real interest rates have remained low despite sustained economic growth and low unemployment, which increase the demand for credit and might normally send rates higher. Even with the recent increase in interest rates in the face of sustained strong economic growth, the combination of interest rates, growth, and unemployment remains the best in decades.

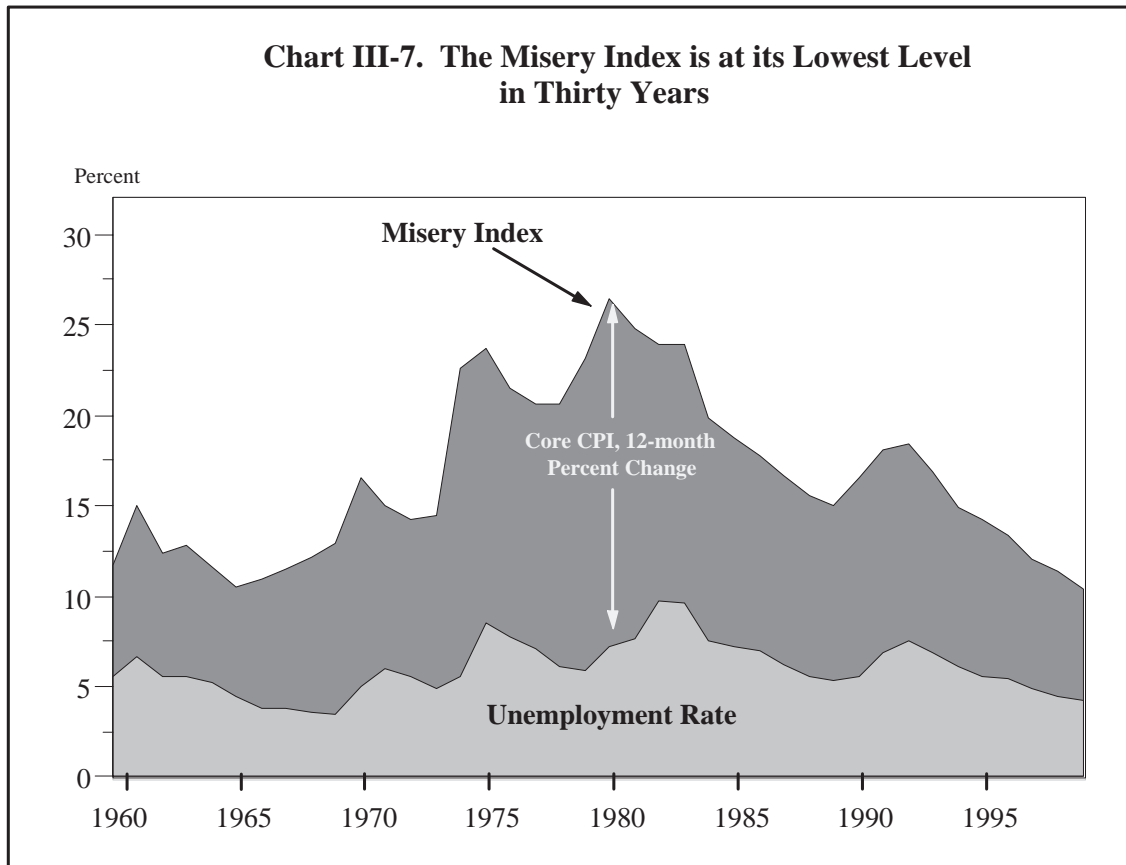
The Economic Outlook

Conservative Forecasts Call for Continued Growth and Low Inflation: Continuing its prudent economic forecasts, the Administration projects that growth will moderate somewhat. Last year's unemployment rate was the lowest in three decades, and is projected to rise somewhat over the next few years; inflation is also projected to increase slightly. Special factors including the strong dollar, low oil prices, and the economic slowdown abroad have held inflation down over the last several years, but they are not expected to be permanent.

Still, if macroeconomic policies remain sound, the economy could well continue to outperform this conservative forecast, as it has for the past seven years. The Administration expects that the record-setting expansion will continue for the foreseeable future, and will sustain many of the economic gains of the last few years. Ultimately, the Administration believes the economy can return to its long-run potential growth rate of approximately three percent per year³ on a sustainable basis by the middle of the new decade, accompanied by low levels of inflation and unemployment.

The longer-term economic and budget outlook also is favorable—even more so than only a few years ago. With prudent fiscal policy, the budget could remain in surplus for many decades. Still, there are foreseeable challenges that will threaten budgetary stability in the 21st Century. In less than

³In October, a major statistical revision adjusted real GDP upwards. The revision added about 0.4 percentage point to the recent growth rate of real GDP. That adjustment is reflected in this estimate. The revision is discussed in more detail in Chapter 1 of *Analytical Perspectives*.



10 years, the “baby-boomers”—the large generation born between 1946 and 1964—will become eligible for early retirement under Social Security. In the space of two decades, the elderly’s share of the U.S. population will jump from around 13 percent to 21 percent. This demographic bulge will put intense pressure on the Federal budget through Social Security and the Federal health programs, Medicare and Medicaid. Reforms will be needed to preserve the affected programs; and budgetary restraint will be needed to preserve this Administration’s fiscal achievements.

The Near-Term Economic Outlook: The Administration expects economic growth to moderate from its average pace of 4.3 percent per year during the past four years to 2.9 percent over the four quarters of 2000, and to an average of 2.5 percent in 2001–2003. Inflation should remain low. Recent growth has been much faster than mainstream forecasters have believed to be sustainable without higher

inflation. The Administration projects that the more moderate pace of growth will keep inflation low.

After more than a year of worldwide financial turmoil, most of the affected countries in South East Asia and Latin America appear to have turned the corner toward recovery, or at least to have arrested their declines. Korea, one of the countries where the crisis began in 1997, has been recovering rapidly in 1999. Other East Asian economies are also beginning to emerge from recession. Europe, which suffered stagnant growth for much of the 1990s, has begun to grow more rapidly in the past year. Among the major industrial countries, Japan alone is still in the very early stages of recovery.

The worldwide economic crisis in 1997–1998 had very little effect on the overall U.S. economy. In 1999, growth continued at an average rate of 4.2 percent. Despite an adverse trade balance, strong consumer and invest-

ment demand kept the economy healthy. Looking ahead, mainstream forecasts, like the Administration's, expect some moderation in the growth of domestic demand in 2000. Consumer spending has been outpacing income growth, and cutting into personal saving; with the household saving rate at a record low, consumption may grow more slowly in the future. Business profits, which had been growing at double-digit rates from 1993 through 1997, have been rising more moderately since then. Profits are expected to continue to increase, but the unusually rapid growth is not projected to return. Furthermore, the rate of capital utilization is below its long-run average, which suggests that there could be some moderation in the rate of business investment as business finds less need to add to capacity (though businesses will continue to invest for modernization and to increase productivity). Though these developments could lead to more moderate economic growth, the longest economic expansion in history is expected to continue.

As the recent rapid increase of productivity growth moderates, the Administration estimates potential growth will moderate to 2.8 percent by 2007. Beginning in 2008, potential growth is expected to slow gradually as the retirement of the baby-boomers begins to cut into the growth of the labor supply.

Beginning later this year, as economic growth moderates, the unemployment rate is projected to rise gradually, stabilizing at 5.2 percent in 2003. Mainstream private-sector economic forecasters generally agree that inflation would be expected to accelerate when unemployment is under five percent. The modest anticipated increase in unemployment is expected to keep price inflation under control.

After rising by 1.6 percent in 1998, the Consumer Price Index (CPI) has picked up somewhat in 1999, rising at an annual rate of 2.7 percent. Just as falling energy prices held down the average inflation rate in

1998, rising energy prices drove it up in 1999. Economists often recompute the CPI excluding the volatile food and energy prices to get a clearer picture of the underlying (or core) rate of inflation. On this basis, inflation continued to decline in 1999; core CPI inflation, excluding food and energy, was only 1.9 percent. This was the lowest core rate of inflation since 1965, and it indicates that the faster inflation in energy prices was not passed through to other goods and services. The chain-weighted price index for GDP also increased somewhat faster in 1999 following an extremely low rate of increase in 1998. After rising 1.1 percent over the four quarters of 1998, it has increased at an average rate of 1.6 percent during 1999. It is projected to rise 1.9 percent in 2000 and 2.0 percent per year thereafter.

Interest rates on Treasury debt fell to extremely low levels—under five percent—during the world financial crisis of 1997–1998. Since then, they have increased somewhat. Short-term rates—following three interest rate hikes by the Federal Reserve during 1999—are back to pre-crisis levels, while 10-year rates are also approaching their pre-crisis average. The Administration projections are close to the levels at the end of last year, when the forecast was completed, with the 91-day Treasury bill rate at 5.2 percent and the yield on 10-year notes at 6.1 percent.

The medium-term projections shown in Table III–1 should be thought of as the average behavior expected for the economy, not a precise year-to-year forecast. In some years, growth could be faster than assumed; in other years, it could be slower. Similarly, inflation, unemployment, and interest rates could fluctuate around the projected values. But these assumptions, taken on average, provide a prudent basis for projecting the budget. In recent experience, the economy has outperformed the consensus forecast, and the Administration believes that it can continue to do so if fiscal policy remains sound.

Table III-1. Economic Assumptions ¹

(Calendar years; dollar amounts in billions)

	Actual 1998	Projections											
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Gross Domestic Product (GDP):													
Levels, dollar amounts in billions:													
Current dollars	8,760	9,232	9,685	10,156	10,621	11,105	11,644	12,236	12,847	13,477	14,118	14,777	15,471
Real, chained (1996) dollars	8,516	8,850	9,142	9,393	9,629	9,870	10,146	10,451	10,758	11,064	11,360	11,655	11,958
Chained price index (1996=100), annual average	102.9	104.3	105.9	108.1	110.3	112.5	114.8	117.1	119.4	121.8	124.3	126.8	129.4
Percent change, fourth quarter over fourth quarter:													
Current dollars	5.9	5.2	4.8	4.6	4.6	4.5	5.0	5.1	4.9	4.9	4.7	4.7	4.7
Real, chained (1996) dollars	4.6	3.8	2.9	2.6	2.5	2.5	3.0	3.0	2.9	2.8	2.6	2.6	2.6
Chained price index (1996 = 100)	1.1	1.4	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Percent change, year over year:													
Current dollars	5.5	5.4	4.9	4.9	4.6	4.6	4.9	5.1	5.0	4.9	4.8	4.7	4.7
Real, chained (1996) dollars	4.3	3.9	3.3	2.7	2.5	2.5	2.8	3.0	2.9	2.8	2.7	2.6	2.6
Chained price index (1996 = 100)	1.2	1.4	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Incomes, billions of current dollars:													
Corporate profits before tax	782	845	842	828	827	824	852	892	933	971	1,001	1,034	1,062
Wages and salaries	4,186	4,470	4,711	4,942	5,161	5,388	5,629	5,892	6,176	6,458	6,747	7,039	7,342
Other taxable income ²	1,990	2,088	2,161	2,231	2,293	2,356	2,431	2,518	2,609	2,703	2,802	2,904	3,015
Consumer Price Index (all urban):³													
Level (1982-84 = 100), annual average	163.1	166.7	171.0	175.1	179.6	184.3	189.1	194.0	199.0	204.2	209.5	215.0	220.6
Percent change, fourth quarter over fourth quarter	1.5	2.7	2.3	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Percent change, year over year	1.6	2.2	2.6	2.4	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Unemployment rate, civilian, percent:													
Fourth quarter level	4.4	4.1	4.3	4.7	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Annual average	4.5	4.2	4.2	4.5	5.0	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Federal pay raises, January, percent:													
Military ⁴	2.8	3.6	4.8	3.7	3.7	3.2	3.2	3.2	NA	NA	NA	NA	NA
Civilian ⁵	2.8	3.6	4.8	3.7	3.7	3.2	3.2	3.2	NA	NA	NA	NA	NA
Interest rates, percent:													
91-day Treasury bills ⁶	4.8	4.7	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
10-year Treasury notes	5.3	5.6	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1

NA = Not Available.

¹ Based on information available as of late November 1999.² Rent, interest, dividend and proprietor's components of personal income.³ Seasonally adjusted CPI for all urban consumers.⁴ Beginning with the 1999 increase, percentages apply to basic pay only; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.⁵ Overall average increase, including locality pay adjustments.⁶ Average rate (bank discount basis) on new issues within period.

The Budget Outlook

The Administration projects budget surpluses in 2000 and throughout the customary 10-year budget window. The unified surplus should reach \$167 billion in 2000 and \$184 billion in 2001, while the on-budget surplus remains in surplus.

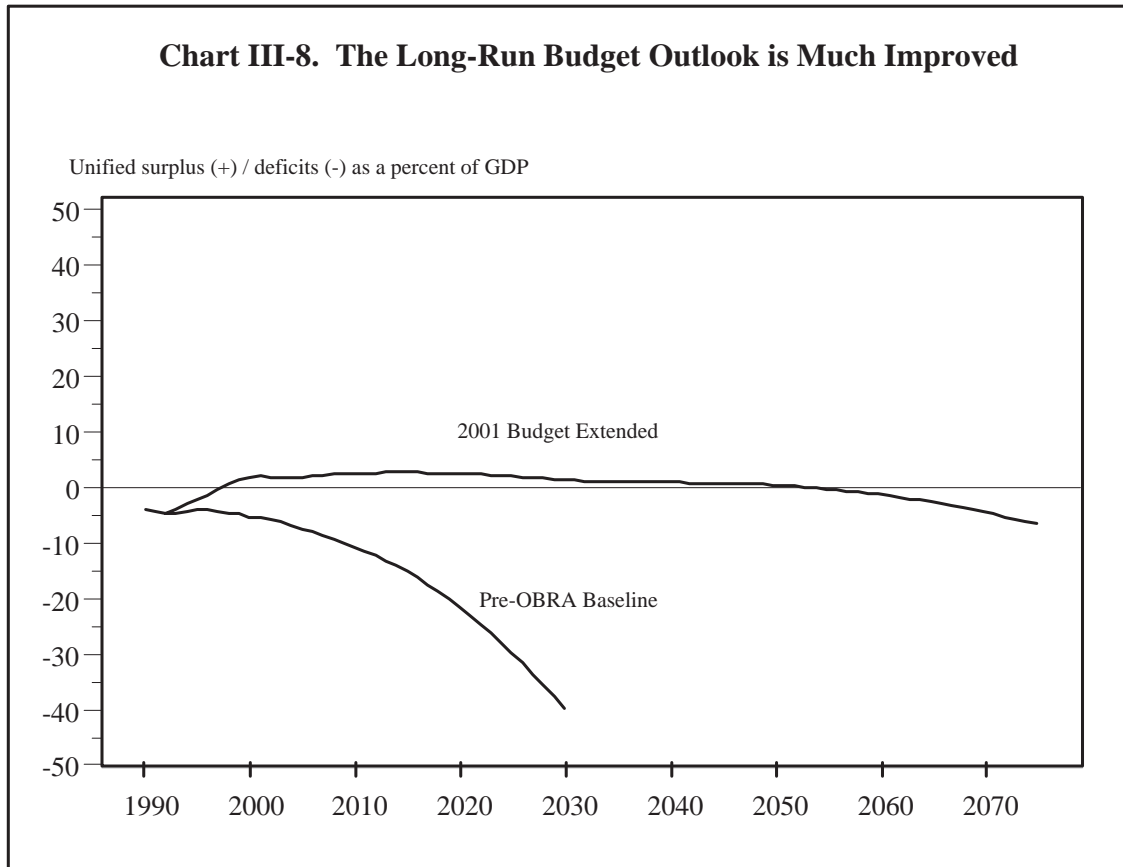
The Long-Term Budget Outlook: All budget projections contain elements of uncertainty, which are compounded as they extend further into the future. However, long-run budget projections are both valuable and necessary to identify future problems, thereby allowing policy makers to devise solutions on a timely basis. In the 1980s and before, budget projections were extended for no more than five years. In the 1990s, attention has increasingly focused on the outlook for 10 years and even longer, especially when it has been necessary to consider longer-term issues such as the aging of the population and possible reforms to Social Security.

The swift reduction of the budget deficit and the appearance of the surplus since the passage of OBRA in 1993 and the BBA in 1997 bodes well for the long run. Without the changes enacted in OBRA, the Federal deficit was projected to spiral out of control. Following the changes in OBRA, projections in the 1997 Budget showed a unified budget surplus beginning in 2002 and lasting for about 20 years; but the budget was projected to return to deficit in the long run. Since then, however, the economy and the budget have performed much better than projected, reducing the accumulated debt at the start of the long-run projections and thereby extending the projected surpluses for many decades. The

current budget projection shows surpluses lasting until mid-century (see Chart III-8).

However, such projections are inherently uncertain, because, while prudent fiscal policy can safeguard our hard-earned prosperity, so too can reckless choices dissipate the benefits of the budget discipline that is responsible for our ongoing success. Strengthening Social Security and Medicare will lay a strong foundation to safeguard our hard-won fiscal stability and rid the United States of debt for the first time since 1835. Preserving fiscal discipline must include strategic investments and reform of these essential age-related entitlement programs. It must also include budget tools that have been essential to enforcing discipline, and the 2001 Budget proposes spending caps and PAYGO rules that work. The favorable long-term results shown in these projections will require prudent policy—choosing continuing reductions in outstanding debt over expensive tax cuts or spending increases—and avoiding adverse economic shocks that could knock the projections off track. However, ordinary business cycles should not affect the projections if economic assumptions prove on average accurate over time. (For more details on the long-run budget projections see *Analytical Perspectives*, Chapter 2, “Stewardship.”)

The Clinton Administration’s policy initiatives extend the solvency of Social Security and Medicare, protect current and future beneficiaries, and eliminate the publicly held debt. Restoring confidence in these vital programs is an Administration priority. The improvements in the long-term budget outlook illustrated here will offer the opportunity to get the job done.

Chart III-8. The Long-Run Budget Outlook is Much Improved

Investing in Federal Statistics

Our democracy and economy demand that public and private leaders have unbiased, relevant, accurate, and timely information on which to base decisions. Data on population, real GDP, the CPI, and the trade deficit, for example, are critical inputs to monetary, fiscal, trade, and regulatory policy. They also have a major impact on Government spending, budget projections, and the allocation of Federal funds. Taken together, statistics produced by the Federal Government on demographic, economic, and social conditions and trends are essential to inform decisions that are made by virtually every organization and household.

Rapid changes in our economy and society, including the unprecedented growth of e-commerce, have meant that the current funding levels of the Government's statistical agencies have not kept pace with the need for good statistics. The relevance and accuracy of some of our Nation's key statistics are in question. Without the improvements proposed in this budget, it will become more difficult for our statistical system to mirror our economy and society accurately, which, in turn, could undermine core Government activities, such as the accurate allocation of scarce Federal funds. Fortunately, the most serious shortcomings of our statistical infrastructure could be substantially mitigated by proposals set forth in the Administration's budget. These initiatives are documented in greater detail in Chapter 11 of *Analytical Perspectives*, "Strengthening Federal Statistics."

Saving Social Security

For more than 60 years, Social Security has formed the bedrock of income security for millions of Americans. For individuals who grow old after a lifetime of work, who become disabled, or who suffer the death of a family breadwinner, Social Security represents America's promise to stand by them.

The pending retirement of 76 million baby boomers will put significant pressure on the Social Security system, which is self-financed through payroll taxes and income taxes on Social Security benefits. These dedicated revenues go into the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) trust funds. Currently, the revenues to these trust funds exceed the benefit payments going out. The surplus is invested in Treasury securities, which generate interest income for the trust funds. However, the system is not in balance over the 75-year period traditionally used by the Social Security Trustees to evaluate the financial status of the program. Under the Trustees' current projections, Social Security benefit payments will exceed dedicated tax revenues starting in 2014. By 2022, benefits paid out will exceed total tax revenues plus interest income—without any policy changes, the trust funds will have to draw on their reserves to meet benefit obligations. By 2034, those reserves are projected to be exhausted. At that time, payroll taxes are projected to cover only 71 percent of currently promised benefits. Two key demographic factors affect Social Security's financial status: the baby boomers and subsequent generations are living longer, and they are having fewer children. Consequently, they will spend more time in retirement, and there will be fewer younger workers paying into the system relative to the number of retirees.

The President's Plan

Restoring the Social Security trust funds to long-range solvency is one of the President's top priorities. He led the way in 1998 with a series of regional bipartisan forums to build public awareness of the problem, and to build public consensus for solutions. In 1999, the President proposed a framework built on the principle of maintaining long-term fiscal responsibility—ensuring that the benefits of fiscal discipline be used to extend the life of Social Security while also making prudent investments in activities that enhance the Nation's economic performance. Such a framework is crucial, because the Government's ability to pay future Social Security benefits is tightly linked to the long-term economic and budgetary outlook.

This year, the President urges the Congress to adopt his program to save Social Security through a commitment to sustained fiscal responsibility. Rather than dissipate all of the currently projected on-budget surpluses on new spending or tax cuts, the President proposes a balanced approach to prepare the Nation for the challenges ahead by paying down the entire debt held by the public by 2013 and encouraging economic growth.

- *Extend Social Security Solvency through Debt Reduction:* The President's sustained commitment to saving Social Security has led to an acceptance of the vital importance of protecting the Social Security surplus. However, the next step in saving Social Security is to truly protect Social Security by dedicating the resources needed to extend the solvency of the program. The President proposes to devote the entire Social Security surplus to paying down and eliminating the debt held by the public. Creating a debt-free United States will eliminate debt service costs and result in substantial interest savings. Devoting Social Security surpluses to debt reduction will reduce interest payments from \$230 billion in 1999 to zero in 2013 and will dedicate interest savings to extend Social Security solvency to 2050. Paying down the publicly held debt will improve the Nation's ability to respond to Social Security's future needs.

Saving Social Security—Continued

- *Transfers to Extend Social Security Solvency:* The President proposes to devote the rewards of fiscal discipline to extending the life of Social Security. The substantially lower interest burden on the Federal budget will free up on-budget resources that can be transferred to the trust funds to extend their solvency. The President proposes to transfer part of the on-budget surplus to the trust funds from 2011 through 2050—fully justified by the annual interest savings attributable to dedicating the Social Security surpluses to debt reduction. The annual transfer would be \$100 billion in 2011, growing through 2015, after which it would stay level at \$211 billion. The framework includes an added safeguard to ensure that the transfers will not exceed the currently projected on-budget surpluses.

The President also proposes to invest half of the transferred amounts in corporate equities. The share of trust funds invested in equities will be limited to 15 percent. The transfers of interest savings alone would extend the solvency of the trust funds from 2034 to 2050, investment in equities would extend solvency to 2054.

- *Promote Long-Term Fiscal Responsibility:* The President proposes to extend existing budget enforcement laws from their current scheduled expiration date in 2002 to 2010. These laws control discretionary spending levels and require new permanent spending increases or tax cuts to be offset fully by other spending cuts or revenue increases. The President also proposes to prohibit legislation that would cause or increase an on-budget deficit relative to the current baseline. These budget enforcement protections promote the fiscal discipline that is a critical feature of the President's program.
- *Reforms to the Social Security program:* The President encourages Congress to work with him in a bipartisan fashion to close the rest of the 75-year solvency gap through sensible reforms to the Social Security system. As part of a larger reform plan, the President is committed to improve income protections for elderly women who experience high poverty rates relative to the overall elderly population. In addition, the President believes that an overall Social Security solvency agreement should remove the barriers to work that result from the current Social Security earnings test. Social Security's rules discourage retired individuals from working, because their benefits are reduced when their earnings exceed a certain level.

The best way to ensure our ability as a Nation to meet future Social Security benefit obligations is to increase national income, thereby improving the Government's fiscal position. This can be accomplished by paying down and eliminating the Nation's publicly held debt, which frees up resources for private investment and reduces Federal interest payments, and by making targeted investments in areas such as education and research where there is a high payoff in increased productivity.

The President believes it is critical to address Social Security's financing shortfall now. The healthy American economy and the budget surplus provide a rare opportunity to tackle this problem from a position of strength. Addressing the issue now expands the number of options available for dealing with the problem and allows sufficient time to engage in careful deliberation and develop a well-thought-out plan that protects vulnerable populations. And making decisions now will allow individuals sufficient time to adjust their retirement planning, if necessary. The President believes that, working together, the Administration and Congress can fulfill America's long-standing promise to future generations.

IV. STRENGTHENING OUR NATION IN THE 21st CENTURY

1. INVESTING IN EDUCATION AND TRAINING

At the edge of a new century and an increasingly competitive global economy, we know that our children's futures will be determined in large part by the quality of the education they receive ... Our Administration has made education a high priority, focusing on standards, accountability and choice in public schools, and on making a college education available to every American ... Because of these efforts, more young people have the chance to make the most of their God-given abilities, and take their place in the high-tech world of the 21st Century.

President Clinton
August 1999

President Clinton took office committed to providing the education and job training that Americans need to succeed in the new global economy. Investing in people and improving our Nation's educational system was a central element of his 1993 economic program. In the past seven years, the President has consistently worked to further the goal of a first-rate education for every child, starting with programs to expand learning opportunities for pre-schoolers to those that encourage students to attend and complete college. The President's education strategy is simple and straightforward—we must invest more and demand more in return.

To strengthen elementary and secondary education, the Clinton Administration proposed, and worked with Congress, to enact new laws in 1994 and succeeding years to help students, especially in high-poverty schools, meet challenging educational standards put in place by States and school districts. Accountability—holding schools, teachers, and students alike to these high standards—is essential to turning low-performing schools into institutions of quality. To help these underperforming schools rise to higher standards, the Administration is committed to providing needed support, through programs such as:

- 21st Century Community Learning Centers, first funded in 1997 and expanded dramatically since 1998, the “after-school” program of grants to public schools and

community-based organizations to establish and expand extended learning time opportunities;

- the Reading Excellence Act, enacted in 1998, to provide resources to high-poverty schools to help ensure that all children can read well and independently by the end of third grade;
- the Class Size Reduction program, enacted in 1998, to hire qualified teachers and to reduce the number of students per classroom in the early grades, which, studies show, can lead to improved student achievement; and,
- the Technology Literacy Challenge Fund, first funded in 1997, offering grants to provide computers, software, and Internet access to schools and technology-related professional development.

The Administration is committed to making a postsecondary education both attainable and affordable for every American, from recent high school graduates and dropouts to adult learners and displaced workers. The President has proposed and supported programs that prepare students for postsecondary education and that help make college affordable. For example, in response to the President's initiative, Congress enacted and funded in 1999 the GEAR-UP program, which helps low-income students in middle and high school prepare for college. The Administration has also worked to increase the Pell Grant max-

imum award by 43 percent from 1993 to 2000, and proposes a \$200 increase in 2001; established new tax credits for college costs; created the Direct Student Loan program to increase benefits to borrowers (including the option to repay the loan on an income contingent basis); and, proposed and saw enacted significantly lower interest rates for borrowers on student loans.

In the past seven years, the Clinton Administration has significantly strengthened the Federal Government's commitment to education by increasing by nearly \$12 billion, or 50 percent, Federal discretionary funding for the Department of Education. The 2001 Budget builds upon these increases, continuing the President's education agenda with new and sustained efforts to close the gap in educational opportunity and offer the tools to help all Americans take part in the Nation's prosperity (see Table 1-1).

The President's initiatives in K-12 education, most of which are in the Administration's proposal for the reauthorization of the Elementary and Secondary Education Act (ESEA), include: increasing accountability and fixing failing schools; improving teacher quality; acquiring better technology and preparing teachers to use it effectively; constructing and repairing schools; and, encouraging innovation and excellence. Other initiatives specifically target efforts toward improving the educational outcomes of Latino students and students from disadvantaged backgrounds, who face disproportionately high dropout rates and low enrollment trends in postsecondary schools, as part of the Administration's commitment to help all students acquire the education and skills critical to their success in the future. These initiatives are coupled with a significant expansion of Head Start and the creation of an Early Learning Fund to ensure pre-school aged children from low-income families have quality early learning experiences to prepare them effectively for school (see Chapter 2, "Supporting Working Families").

In postsecondary education, the President's proposals maintain his focus on helping low-income students prepare for and pay for college and include a new tax program to help middle-income families afford higher edu-

cation. In workforce development, the President proposes initiatives to advance opportunity by ensuring that all workers can find and hold good jobs with good wages, improve their skills, and work in safe and healthy environments.

ELEMENTARY AND SECONDARY EDUCATION

Ensuring Accountability and Fixing Failing Schools

The cornerstone principle of the Administration's education initiatives since 1993 has been to give States and districts increased flexibility to coordinate and combine program activities in exchange for greater accountability for school and student performance. Today, all 50 States and many school districts have begun to put in place accountability systems that identify schools in which students are not meeting challenging State academic standards and establish consequences, holding schools accountable for improving their performance.

These reforms—integrating established academic standards, tests to reflect these standards, teacher training, and consequences for failing to meet standards—are beginning to show results, as measured by improved student test scores and other factors. But while the achievement of even the most disadvantaged students is improving, the learning gap between the less and the more fortunate is closing at too slow a pace. We cannot afford to leave any child behind. Nationwide, there are currently about 8,000 schools in dire need of improvement, in which a majority of students struggle to achieve to high academic standards. The Administration's budget proposes a package of programs that will help turn around failing schools and ensure that all students have the opportunities to succeed academically.

Title I Accountability Fund: It is essential that States and localities identify and turn around schools that are not helping children reach rigorous academic standards. The budget provides \$250 million in the Title I (Education for the Disadvantaged) program to help States hold districts and schools accountable for raising student achievement. States will use funds

TABLE 1-1. THE BUDGET INCREASES RESOURCES FOR SELECTED EDUCATION AND TRAINING PROGRAMS BY \$7.8 BILLION, OR 16 PERCENT OVER 2000, AND BY A TOTAL INCREASE OVER 1993 OF 122 PERCENT

(Dollar amounts in millions)

	1993 Actual	2000 Enacted	2001 Proposed	Dollar Change: 2000 to 2001	Percent Change: 1993 to 2001
TAX EXPENDITURES:					
Hope Scholarships Credit		4,925	5,125	+200	NA
Lifetime Learning Credit/College Opportunity Tax Cut		2,375	2,815	+440	NA
Student Loan Interest Deduction		265	333	+68	NA
School Construction			36	+36	NA
Total, Tax Expenditures		7,565	8,309	+744	NA
MANDATORY OUTLAYS:					
Welfare-to-Work Grants		860	920	+60	NA
Early Learning Fund (see Chapter 4)			402	+402	NA
DISCRETIONARY PROGRAM LEVELS:					
Preschool: Head Start (see Chapter 4)	2,776	5,267	6,267	+1,000	+126%
Elementary and Secondary Education:					
School renovation loans and grants			1,300	+1,300	NA
Education Technology	23	769	903	+134	+3,826%
Class Size Reduction		1,300	1,750	+450	NA
Title I—Education for the Disadvantaged/Accountability	6,709	8,701	9,150	+449	+36%
21st Century Community Learning Centers		453	1,000	+547	NA
Teacher Recruitment and Training	435	793	1,000	+207	+130%
Bilingual and Immigrant Education	237	406	460	+54	+94%
Safe and Drug-Free Schools and Communities	598	600	650	+50	+9%
Charter Schools		145	175	+30	NA
Indian Education	81	77	116	+39	+43%
Special Education	2,966	6,036	6,369	+333	+115%
High School Reform/Small Schools		45	120	+75	NA
Postsecondary Education:					
Pell Grants	6,462	7,640	8,356	+716	+29%
Pell Grant maximum award (non-add, in dollars)	2,300	3,300	3,500	+200	+52%
Federal Work-Study	617	934	1,011	+77	+64%
Supplemental Educational Opportunity Grants	583	631	691	+60	+19%
GEAR-UP	NA	200	325	+125	NA
TRIO	388	645	725	+80	+87%
Workforce Development:					
Dislocated Worker Assistance	517	1,589	1,771	+181	+243%
Fathers Work/Families Win			255	+255	NA
Responsible Reintegration for Young Offenders			75	+75	NA
Youth Opportunity Grants		250	375	+125	NA
Job Corps	966	1,358	1,393	+35	+44%
Adult Education	305	470	556	+86	+82%
Vocational Rehabilitation State Grants	1,880	2,339	2,400	+61	+28%
Total, Discretionary Program Levels	25,543	40,648	47,192	+6,544	+85%
TOTAL RESOURCES FOR SELECTED PROGRAMS (tax expenditures, mandatory outlays, and discretionary program levels)	25,543	49,073	56,823	+7,750	+122%
STUDENT LOANS (face value of loans issued):					
Direct Loans		10,605	11,211	+606	NA
Guaranteed Loans	15,993	20,959	22,157	+1,198	+139%
Consolidated Loans	1,487	8,831	9,148	+317	+615%
Total, Student Loans	17,480	40,395	42,516	+2,121	+243%
DEPARTMENT OF EDUCATION:					
Discretionary Program Level	23,851	35,605	40,088	+4,483	+68%
DEPARTMENT OF LABOR:					
Discretionary Budget Authority	9,920	11,224	12,263	+1,039	+24%

NA = Not applicable.

to fix their lowest-performing schools through a variety of approaches, including bringing in new curriculum, management, or teachers. Funds will also be used to provide public school choice options to students in failing schools. In total, the budget includes \$8.36 billion for Title I grants to support the Administration's ESEA reauthorization proposal to help students in low-income schools meet high academic standards.

Small, Safe, and Successful High Schools: Research confirms what many parents intuitively believe: that smaller schools are safer and more productive because students feel they are in a community more connected to caring adults, and teachers feel that they have more opportunity to get to know and support their students. Smaller schools also have better attendance records, lower dropout rates, and fewer discipline problems. The Administration proposes \$120 million for a high school reform initiative, an expansion of the Small Schools program funded in 2000 at \$45 million, to create smaller and safer learning environments in which all students can achieve to higher academic standards. The program will offer competitive grants to school districts to create smaller schools or to break up larger schools by funding innovative strategies such as autonomous schools-within-schools, career academies, restructured school days, and other reforms to ensure that every student receives personal attention and academic support.

Rewards for High Performance and Closing the Achievement Gap: The budget includes a \$50 million initiative to build on the President's Elementary and Secondary Education Act reauthorization proposal and reward States that make significant statewide progress in improving student performance and closing the achievement gap between different demographic groups of students. States would be eligible for high performance bonuses based on substantial overall improvements in student performance tests and significant narrowing of the achievement gap as indicated by the National Assessment of Educational Progress. States receiving the bonuses could use the funds for educational purposes allowed under the Elementary and Secondary Education Act but not to supplant current efforts.

Class Size Reduction: The budget provides \$1.75 billion, \$450 million over 2000, for the third installment of the President's initiative that began in 1999 to reduce class size in the primary grades. Research suggests that children, particularly those from disadvantaged backgrounds, benefit from the additional attention they receive in small classes. The program's goal is to hire 100,000 qualified teachers by 2005, and reduce class size in the early grades to an average of 18 students. The budget increase will support an expansion that attains almost half of the 100,000 goal. Every State and nearly all school districts participate in the program. In schools that received funds under this program, primary grades have been reduced by an average of five students per classroom. In addition, to improve the conditions and students' ability to learn while at school, the budget supports new tax incentives and spending to construct, repair, and improve classrooms and schools. (For more information, see the discussion under "Acquiring Better Technology and Constructing and Repairing Schools," later in this chapter.)

21st Century Community Learning Centers: The budget includes \$1 billion, more than double the 2000 level, for the "after-school" program of grants to public schools and community-based organizations to establish or expand after-school and other extended learning time opportunities. These centers are part of a comprehensive approach to fix failing schools by providing low-achieving students the extra help they need to meet challenging academic standards. From a \$1 million demonstration program in 1997, this program grew to \$453 million in 2000, serving over 850,000 students. The budget expands this program dramatically to provide more high quality extended learning opportunities for all children and to make after- or summer-school programs universally available to help turn around all Title I schools identified as low-performing.

Special Education: The budget includes \$6.4 billion for Special Education, an increase of \$333 million, to expand on the President's commitment to improving educational results for children with disabilities. Included in this total is an additional \$290 million for grants to States to help ensure that all students with disabilities receive a free appropriate public education, and a \$9 million increase for grants

to infants and families to provide essential intervention services to children with disabilities as early as possible. The budget also includes \$8 million for States to help schools comply with special education laws and correct deficiencies found through Federal and State monitoring, and \$10 million to help schools implement research-based practices to serve young children with disabilities who have reading problems and/or exhibit behaviors that may lead to discipline problems as they get older.

Enhancing Teacher Quality

Because trained and skilled classroom teachers are essential to a child's success in school, high-quality professional development is crucial to improving public schools. In the next decade, 2.2 million new teachers will be needed to fill the shortage created by teacher retirement and population growth, with high-poverty schools facing the greatest shortages. In the budget, the President builds on his commitment to teacher recruitment and training programs to ensure schools have the highly qualified teachers needed to improve student performance.

Title II: Teacher Quality and Recruitment: The budget requests \$1 billion for the new Title II program, a component of the Administration's Elementary and Secondary Education Act (ESEA) reauthorization proposal, that consolidates the Goals 2000 and Eisenhower Professional Development programs. The State grant program will assist States and districts in coordinating and developing sustained, content rich teacher professional development with challenging standards. The budget also proposes several new initiatives under Title II to address the most pressing teacher quality needs.

- *Hometown teachers:* In order to increase the number of skilled teachers serving high-poverty school districts, the budget proposes \$75 million in competitive grants. These grants would fund comprehensive teacher recruitment strategies that incorporate both long-term, pipeline-style programs as well as short-term strategies. Hometown Teachers would encourage districts to create programs to cultivate stu-

dents' interest in teaching beginning as early as middle school.

- *Early childhood educator professional development:* Research has demonstrated that effective early childhood education programs can help eliminate reading problems, as well as improve cognitive and social competence. The budget provides \$30 million to offer competitive grants to partnerships, including school districts, institutions of higher education, Head Start programs, and child care programs. Approximately 15,000 early childhood educators would receive training in literacy development, English language instruction, and instructional methods for students with disabilities.
- *School leadership:* The budget includes \$40 million for competitive grants to non-profit, public-private partnerships to develop State and regional School Leadership Centers for principals, superintendents, and other school leaders. These training centers will help school leaders develop critical skills to improve school performance and will help attract qualified candidates into school leadership positions.
- *Transition to Teaching: Troops to Teachers:* The budget proposes \$25 million to build on the Troops to Teachers program in high need areas to recruit and train retiring military personnel and other mid-career professionals to serve as new teachers in public schools.
- *Teacher quality incentives:* This \$50 million initiative would reward districts for making exceptional progress toward teacher quality improvement goals set forth in the Administration's Elementary and Secondary Education Act reauthorization bill, such as increasing certification rates and the percentage of teachers working in-field.
- *Higher standards and higher pay for teachers:* The budget includes a \$50 million teacher peer review initiative to encourage school districts to pay teachers more and increase the quality of their teaching force. Peer review programs, by which expert teachers evaluate other

teachers and help them improve, have proven to help improve teacher quality by rewarding excellence, helping low-performing teachers become more effective, and when necessary, removing low-quality teachers from the classroom.

Preparing Tomorrow's Teachers to Use Technology: While many schools have access to technology, some teachers are not prepared to use this technology effectively. The budget includes \$150 million, double the 2000 level, to provide pre-service teacher training for 400,000 teachers in technology so that teachers can help students make the most of tools that are critical to their education and their future.

Teacher Quality Enhancement: The budget provides \$98 million for the Teacher Quality Enhancement Grants program. Created in 1999, this program supports: State grants to improve teacher licensing and certification; partnerships of exemplary teaching colleges and universities with urban and rural schools; and recruitment grants, including scholarships, to help attract teachers to high priority areas.

Teachers Serving Special Populations: To meet professional development needs of teachers serving populations with special needs, the budget proposes \$100 million for Bilingual Education Professional Development, \$116 million for Special Education professional development, \$10 million for the American Indian Teacher Corps, and \$5 million to create a new American Indian Administrator Corps.

Acquiring Better Technology and Constructing and Repairing Schools

Many of the Nation's schools need to be brought into the 21st Century, both by equipping them with new and modern technology, and by making essential repairs to fix the inevitable problems in aging and neglected buildings.

The Administration's commitment to educational technology has greatly increased the percentage of schools connected to the Internet. Since 1993, the number has almost tripled so that nearly 90 percent of the Nation's schools are connected; however, some high-poverty schools still lack Internet access.

At the same time, about one-third of our Nation's schools have critical renovation needs, including repairs to roofs, climate control systems, and plumbing. School districts also face the cost of upgrading schools to accommodate computers and modern technology, and of constructing new classrooms and schools to meet expected record enrollments over the next decade.

The budget proposes a set of new initiatives and program increases to help States and school districts meet the need for better technology and adequate learning facilities. These will complement existing activities put in place under this Administration, including the E-rate established by the Telecommunications Act of 1996 to provide discounts to schools and libraries for high-speed Internet access, internal wiring, and telecommunications services, and Qualified Zone Academy Bonds, which encourage investors to make school modernization capital available to certain communities in need.

School Construction and Modernization Bonds: The President's budget reaffirms his support for creation of a new tax incentive that would support \$22.4 billion in new bonds for school modernization, and \$2.4 billion in additional Qualified Zone Academy Bonds.

Urgent School Renovation: To ensure that the school districts with great need have access to low-cost financing for essential repairs, the budget requests \$1.3 billion for a new school renovation program that would provide loans and grants to school districts. Within this total, \$50 million in grants will be directed to schools with high concentrations of Native American students.

Community Technology Centers: As part of a broad initiative to address the "digital divide" between wealthy communities where access to technology is common and poorer communities that lack such access, the budget requests \$100 million for Community Technology Centers, an increase of \$68 million over 2000 (see Chapter 7, "Strengthening the American Community"). Grants will help low-income communities establish computer centers available to those who cannot afford home computers. Begun in 1999, this program supports activities including technology-based adult education, after-school activities, literacy

training, and ESL instruction in community centers. The budget level would provide support to approximately 1,000 centers in low-income communities.

Technology Literacy Challenge Fund: Enacted in 1997, this program offers grants to States to fund technology-related professional development, provide multimedia computers to schools, and provide software and Internet access to students. The budget requests \$450 million, an increase of \$25 million over 2000.

Next Generation Technology Innovation: The budget requests \$170 million for Next Generation Technology Innovation, which consolidates the Technology Innovation Challenge Grants and Star Schools programs, to support technological innovation for education. Included in this program is funding to develop and field-test state-of-the-art education technology applications and \$10 million for a new initiative to support development of challenging courses such as AP courses and ESL courses for use online.

Other Programs Supporting Innovation and Excellence

Throughout his Administration, President Clinton has aimed to ensure that every child is provided with the highest quality education and challenged to achieve to his or her full potential. The President continues that commitment with several important investments for 2001.

Public School Choice: The Administration supports expanding public school choice through charter schools and other public school options. These efforts strengthen the public education system by giving it the support it needs to fulfill its mission of providing equal educational opportunities for all while providing children a choice of schools to best meet their needs.

When the President first took office, there was but one charter school in the Nation, and citizens who wanted to create new charter schools faced considerable financial barriers. First funded in 1995, the Public Charter Schools program addresses this problem by providing startup funding. The budget includes \$175 million for this program, an increase

of \$30 million, to support the start-up of 1,700 charter schools in 2001. By 2001, this program will have helped nearly 2,400 charter schools since its inception, supporting the President's goal of creating 3,000 charter schools by 2002. The budget also includes \$20 million for Opportunities to Improve Our Nation's Schools (OPTIONS), a new ESEA initiative that will spur further innovation by supporting new approaches, such as locating public schools at work sites and college campuses and interdistrict choice programs.

Safe and Drug-Free Schools and Communities: In 1999, as part of the Government-wide Safe Schools/Healthy Students initiative, 54 communities received over \$100 million in competitive grants from the Departments of Education, Health and Human Services, and Justice to implement comprehensive, research-based, drug and violence prevention programs. In 2001, these agencies will combine resources with the Department of Labor and expand Safe Schools/Healthy Students to nearly \$250 million, vastly increasing funding for community-wide interventions that address education, mental health, juvenile justice, and public safety, and expanding services to include out-of-school youth. The budget also includes \$10 million for a new activity, Project SERV (School Emergency Response to Violence), to help schools and communities address violent deaths or other crises.

Safe Schools/Healthy Students and Project SERV represent just a sampling of the Administration's broad efforts to address youth violence. The budget includes roughly \$8.9 billion, an increase of more than \$900 million over the 2000 level, for programs that specifically target youth violence or generally support the healthy development of young people. Other notable initiatives include: \$1 billion in the Department of Education for after-school and summer-school programs; \$75 million in the Department of Labor to reintegrate young offenders into society; and, \$70 million in the Department of the Treasury to expand efforts to crack down against those supplying guns to youths. To coordinate youth violence prevention programs across the Federal Government, President Clinton established a White House Council on Youth Violence, which will also seek to make these programs

more accessible to American families and examine best practices in addressing the problem.

America Reads/Reading Excellence Act:

In response to the President's America Reads Challenge, the Reading Excellence Act was enacted in 1998 to provide resources to high poverty schools to help ensure that all children can read well and independently by the end of third grade. The budget requests \$286 million for this program, an increase of \$26 million, to support literacy services to an estimated 1.1 million students.

Arts in Education: The budget doubles funding for this program to \$23 million, including \$11.5 million in new funds to supplement teaching resources, integrate arts into the regular curriculum, and provide intensive professional development to teachers. The Department of Education and the National Endowment for the Arts will continue and expand upon the collaboration formed in 2000 to make competitive grants to local arts education programs and undertake additional activities to address issues of youth at risk.

Indian Education: The budget includes \$116 million for the Indian Education program, an increase of \$39 million over 2000. This total includes \$93 million to the Grants to Local Educational Agencies program, an increase of \$31 million, to address significant growth in the Indian student population and ensure that Indian students have the resources to succeed academically. The budget also includes \$50 million for the urgent school renovation program in public schools with high concentrations of Native American students, as part of the Administration's \$1.3 billion urgent school renovation initiative. The budget includes \$300 million (\$167 million over 2000 enacted) for the Bureau of Indian Affairs to fund the replacement of at least six elementary and secondary schools and for numerous repair, improvement, and maintenance projects.

Improving Educational Outcomes for Hispanic-Americans

Raising the educational achievement of Latino students continues as a high priority. The high school dropout rate for Latinos is very high: in 1996, 29 percent of Latinos

aged 16 to 24 were high school dropouts, compared to seven percent of non-Hispanic whites and 13 percent of non-Hispanic blacks. About 32 percent, or 3.6 million, of the students served by Title I are Latino. Latinos are the fastest growing segment of our Nation's population.

For the third year in a row, the budget targets new funding to programs that are part of the Administration's Hispanic Education Action Plan. The budget proposes \$823 million in funding increases, including:

- \$416 million for Title I Grants to Local Educational Agencies;
- \$85.5 million for Adult Education, of which \$75 million is for the President's English as a Second Language (ESL)/Civics. Civics initiative to help recent immigrants learn English, fully navigate public institutions, and be involved in their communities;
- \$125 million for GEAR-UP;
- \$80 million for TRIO;
- \$25 million for Title I Migrant Education;
- \$48 million for Bilingual Education;
- \$20 million for Hispanic Serving Institutions;
- \$5 million for the Labor Department's Migrant and Seasonal Farmworker Youth Opportunities Program;
- \$10 million for research on the education of language minority children; and,
- \$8 million for the High School Equivalency Program and College Assistance Migrant Program.

POSTSECONDARY EDUCATION

Preparing for College

As our economy depends increasingly on workers with analytical and reasoning skills, access to a quality education beyond high school becomes even more important to maintaining and increasing income, productivity, and the Nation's competitiveness. The opportunity to attend college is also crucial in encouraging hardworking families and low-income children to aspire to improve their

lives through education. This budget provides significant increases to student financial assistance programs to help low- and middle-income students pay for college; however, not all of the barriers to college are financial. Too many young people reach college age without the skills, knowledge, and preparation they need to apply for, enroll in, and succeed in college. The Administration is committed to making a postsecondary education both attainable and affordable for every American, from recent high school graduates and dropouts to adult learners and displaced workers.

GEAR-UP: The budget provides \$325 million, an increase of \$125 million, for the early intervention program first funded in 1999 that is based on an initiative proposed by the President. This program provides funds for States and local partnerships to help low-income students prepare for college, starting in the 7th grade. In 2001, 1.4 million students would receive services, 644,000 more than in 2000.

TRIO: The budget includes \$725 million, an increase of \$80 million, for TRIO programs, which fund postsecondary education outreach and support services to prepare disadvantaged students to enter and complete college and doctoral study. Nearly half of the increase would be dedicated to strengthening the Student Support Services (SSS) program, while another \$35 million would establish a new College Completion Challenge Grant (CCCG) component within SSS. Under CCCG, competitive grants to institutions of higher education would support grant aid and summer orientation programs for low-income students in their first years of college, with the goal of increasing college completion rates.

SAT/ACT Preparation: The budget provides \$10 million in competitive grants to create partnerships to offer test preparation services to low-income students preparing for the SAT and ACT college admissions tests. Grantees would offer rigorous and sustained preparation based on program curriculum.

Minority-Serving Institutions Dual-Degree Program: The budget provides \$40 million for a new program to promote dual-degree programs between minority-serving institutions—including Historically Black Colleges and Universities, Hispanic Serving Institutions, Tribal Colleges and Universities, and

Alaska Native and Native Hawaiian Serving Institutions—and partner institutions such as major research universities. The program would allow students at minority-serving institutions to earn two degrees in five years: one from their home institution, and the other from a partner institution in a subject area that is not offered by the home institution and in which minorities are traditionally underrepresented. The program will increase academic opportunities for students at minority-serving institutions, improve their postgraduate access, and promote their workforce participation in fields in which minorities are underrepresented.

Paying for College

The economic returns to a college education have never been higher. But at a time when the dividends of a college education make college essential, the cost of education has been rising dramatically. In addition to helping every child prepare for college, this budget maintains the Administration's commitment to ensuring financial access to higher education by requesting significant increases for core student aid programs and providing tax incentives to make higher education more affordable.

Tax Incentives: The Taxpayer Relief Act of 1997 included the President's Hope Scholarship and Lifetime Learning tax credits, the largest investment in higher education since the G.I. Bill, to help make college more affordable for about 13 million Americans. Hope Scholarships provide tax credits of up to \$1,500 for tuition and fees during the first two years of postsecondary training. Under the Lifetime Learning tax credits, students beyond the first two years of college, or those taking classes part-time to improve or upgrade their job skills, receive up to a 20 percent tax credit for the first \$5,000 of tuition and fees each year through 2002, and for the first \$10,000 thereafter.

The budget expands the Lifetime Learning Tax Credit with a 10-year, \$30 billion College Opportunity tax cut that will, when fully phased in, provide up to \$2,800 in tax relief for millions of families struggling to pay for college. The President's proposal would give families the option of taking a tax

deduction or claiming a 28 percent credit for tuition and fees to pay for college and other higher education. The proposal would cover up to \$5,000 of educational expenses in 2001 and 2002 and \$10,000 of educational expenses from 2003 forward.

In addition, the budget provides tax-free treatment for employer-provided graduate education and increases deductibility of student loan interest.

Pell Grants: The President proposes to increase the maximum Pell Grant by \$200 to \$3,500. Nearly four million needy undergraduates will receive Pell Grants in 2001. When President Clinton took office in 1993, the Pell Grant maximum award was \$2,300—the same as it was when President Bush took office in 1989. Under President Clinton's leadership, the maximum award increased \$1,000, or 43 percent, by 2000. With the 2001 request, the Pell maximum award will have increased by 52 percent during this Administration.

Work-Study: The budget provides \$1.011 billion for Work-Study, an increase of \$77 million over 2000, to maintain the President's promise to give one million students the opportunity to work their way through college. Funding for Work-Study increased 51 percent from 1993 to 2000; this request would bring the increase since 1993 to 64 percent.

Supplemental Educational Opportunity Grants: The budget requests a total of \$691 million, \$60 million over 2000, for Supplemental Educational Opportunity Grants to provide more low-income undergraduate students with need-based grant aid.

Federal Student Loan Programs: An estimated 6.5 million people will borrow almost \$43 billion through the Federal student loan programs in 2001. In the Higher Education Amendments of 1998, the President's proposal to significantly lower interest rates for borrowers on student loans was adopted, easing the burden of repayment for borrowers. The budget also proposes net savings of \$3.8 billion over five years from reforms to the guaranteed loan system.

D.C. College Access: In response to the President's 2000 proposal, Congress approved a \$17 million initiative to equalize postsecondary education opportunities for residents of

the District of Columbia by providing tuition benefits to D.C. residents attending public colleges in Maryland, Virginia, and other States under certain circumstances, and private colleges in the D.C. area. The budget requests \$17 million for D.C. College Access in 2001.

WORKFORCE DEVELOPMENT

Building on accomplishments made since 1993, the Administration seeks to advance opportunity by ensuring that all workers have the opportunity to find and hold secure jobs with good wages, improve their skills, and work in safe and healthful places.

Promoting the New Opportunity Agenda for America's Workforce

Committed to ensuring that America's workforce has the education and training necessary to compete in the 21st Century, the Administration has been working to reform the Nation's workforce development system and increase education, training, and job skills development. Specifically, this Administration has accomplished the following:

- In 1998, the President signed the bipartisan Workforce Investment Act (WIA)—reforming America's job training system to empower individuals, streamline services through One Stop Career Centers, enhance accountability, and increase flexibility.
- Tripled funding for dislocated workers—more than tripling program enrollment as part of a universal program that will help every displaced worker who wants and needs training or reemployment services.
- Increased the number of Job Corps centers from 109 to 122, increasing year-round training opportunities by over 10 percent.
- Developed and authorized the Youth Opportunity Grants program.
- Signed the historic Ticket to Work and Work Incentives Improvement Act of 1999 that removes barriers to work for people with disabilities.

Increasing Opportunities for Youth: The budget provides enhanced support to help low-income, at-risk youth prepare for college and careers.

Youth Opportunity Grants: Youth Opportunity Grants address the special problems of out-of-school youth, especially in inner cities and other areas with high jobless rates. This program is consistent with the Administration's New Markets Initiative to provide resources to communities with potential. The budget includes \$375 million for Youth Opportunity Grants to fund the third year of competitive grants to 25 to 30 high-poverty areas and the first year of competitive grants to 12 to 15 additional communities. Included in this funding is \$20 million for Rewarding Achievement in Youth, a program that provides comprehensive employment training, counseling and education services to over 9,000 academically high-achieving, low-income youth. The program encourages school completion by providing students who excel academically with extended summer employment opportunities.

Job Corps: The Job Corps provides intensive vocational skills training, integrated with academic and social education, and support services to severely disadvantaged young people in a structured residential setting. The budget proposes \$1.4 billion, a \$35 million increase over the 2000 level.

Youth Activity Formula Grants: The WIA consolidated the funding streams of DOL's year-round and summer jobs programs—providing increased flexibility to local Youth Councils and enabling them to develop pathways for career opportunities. Funded at \$1 billion, \$22 million above the 2000 level, this program will continue to provide essential job and learning opportunities to roughly 612,000 disadvantaged youth.

Responsible Reintegration for Young Offenders: The budget includes \$75 million for a new DOL initiative to link offenders under age 35 with essential services that can help make the difference to their choices in the future, such as education, training, job placement, drug counseling, and mentoring. Through competitive grants, this program would establish partnerships between the criminal justice system and workforce invest-

ment systems created under the WIA to reintegrate offenders into the mainstream economy, complementing a similar program in the Department of Justice (DOJ) focused on community supervision of ex-offenders. To maximize the impact of these initiatives, the DOL and DOJ funds will be targeted to the same communities and populations served, while improving public safety. At the same time, DOJ also will earmark \$5 million of its funds to focus on aftercare programs for juvenile offenders to build on existing collaborations between DOL and DOJ.

Preparing Workers for the 21st Century: The budget provides resources to help workers succeed in a changing economy.

Reemployment Services for All Who Need Them: In 2000, the President proposed a major initiative to help working and laid-off Americans get the information and training they need to succeed in a rapidly changing labor market. The 2001 Budget continues progress toward the goals of: providing all dislocated workers who need and want them with the resources to train for or find new jobs; expanding and improving the employment services available to all job seekers and enhancing them for individuals receiving unemployment compensation; and ensuring that One-Stop services are universally available, either in person or electronically. The budget includes increases totaling \$285 million to build on last year's achievements toward the goal of a "universal system."

- ***Dislocated worker training:*** The budget proposes \$1.8 billion—an increase of \$181 million and over three times the amount available when the President took office—to provide readjustment services, job search assistance, training, and related services to help dislocated workers find new jobs quickly. Among the workers assisted by the program, and the proposed increase, are those displaced by trade, technology, defense downsizing, and other causes.
- ***Reemployment services:*** The budget proposes \$50 million to expand services to ensure that Unemployment Insurance beneficiaries receive help finding new jobs. Total funding for grants to the State Employment Service, operating within the

One-Stop system recently expanded in the WIA, is \$856 million.

- *One-Stop Career Centers:* The budget includes \$174 million—an increase of \$54 million—for new methods of providing employment and related information through America’s Labor Market Information System, including America’s Job Bank, America’s Talent Bank, and America’s Learning Exchange under the One-Stop system. Efforts to improve access to One-Stop information and services include mobile service centers for rural areas, a toll-free number for easier access to information on services and locations, and enhanced technology for serving individuals with disabilities. Included in the proposal is \$10 million for the new America’s Agricultural Labor Network, an information system that connects growers seeking workers with workers seeking employment. Also included is \$20 million to help individuals with disabilities return to work (discussed later in this chapter).

Incumbent Workers: To boost the skills and wages of the U.S. workforce, the budget includes \$30 million for competitive grants to States to train and upgrade the skills of incumbent workers. Applicants would be required to provide non-Federal matching resources, and employers that received grant assistance would be expected to demonstrate that training increased participants’ earnings.

Trade Adjustment Assistance (TAA): The budget proposes to consolidate, reform, and extend the TAA and NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) programs for workers who lose their jobs due to trade. The proposal would expand eligibility for TAA benefits to cover workers who lose jobs when plants or production shifts abroad; raise the statutory cap on training expenses; and add a contingency provision to ensure that the Federal Government has sufficient funds to finance any unexpected increase in benefit costs for eligible workers. The budget proposes to increase funding for the TAA programs by \$31 million in 2001, for a total of \$459 million over five years.

Unemployment Insurance: These programs are the major source of temporary income support for laid-off workers. An estimated

7.8 million people will draw benefits in 2001. The Administration is working with the States, employers, and workers’ representatives to reform these programs to ensure that they continue to meet the needs of a dynamic American economy. The Administration is committed to working with stakeholders and the Congress to develop a comprehensive legislative proposal of system reforms, developed with the overarching goal of budget neutrality and based on the following principles: expanding coverage and eligibility for benefits, streamlining filing and reducing tax burden where possible, emphasizing reemployment, combating fraud and abuse, and improving administration.

Removal of Barriers to Employment: To advance the ability of all people to reap the benefits of a growing economy, the budget builds on recent successes in providing enhanced work incentives, while proposing innovative ways to tap our Nation’s human resources.

Assistance For Individuals to Move From Welfare to Work: To help reach the Temporary Assistance for Needy Families program’s employment goal for severely disadvantaged welfare recipients, the Administration sought, and Congress provided to DOL, a total of \$3 billion in 1998 and 1999 for the Welfare-to-Work program (WTW). The budget provides for a two-year extension of the time period WTW grantees have to spend their funds to continue their efforts and provide long-term recipients and non-custodial parents of children on welfare the work and employment services they need to help support their children. (For further discussion of the Administration’s efforts to help low-income families, including the new Fathers Work/Families Win initiative, see Chapter 2, “Supporting Working Families.”)

Employment of Individuals with Disabilities: Although unemployment is at a 29-year low, the unemployment rate among working-age adults with disabilities remains unacceptably high. The budget builds on the Administration’s commitment to ensuring that individuals with disabilities have full opportunity to participate in, contribute to, and reap the benefits of a growing economy. The budget accomplishes this by establishing a new office

for disability policy within the Department of Labor; improving individuals with disabilities' access to employment and training programs; and, enhancing current programs for individuals with disabilities.

Ticket to Work and Work Incentives Improvement Act: In 1999, the President signed the Ticket to Work and Work Incentives Improvement Act, landmark legislation that begins reducing the institutional barriers that have limited the employment opportunities of individuals with disabilities.

- *Health insurance protections for working people with disabilities:* People with disabilities who want to return to work may face the loss of Medicaid or Medicare coverage or incur prohibitive work-related costs, such as personal assistance and assistive technology. The Act seeks to remove these barriers by creating new options and incentives for States to offer a Medicaid buy-in for disabled workers and extending Medicare coverage for Disability Insurance beneficiaries who return to work.
- *Ticket to Work and Self-Sufficiency:* The Act establishes a new program to enhance employment-related services to help Disability Insurance and Supplemental Security Income disabled beneficiaries re-enter the workforce, giving individuals more choice in their selection of vocational rehabilitation service providers.

Office on Disability Policy, Evaluation, and Technical Assistance: The budget reconstitutes the President's Committee on Employment of People with Disabilities as the Office on Disability Policy, Evaluation, and Technical Assistance (ODPET). Headed by an Assistant Secretary, this new office will bring a permanent focus to the significant employment obstacles faced by individuals with disabilities and provide a forum for addressing those obstacles. The Presidential Task Force on Employment of Adults with Disabilities will work with the ODPET to ensure interagency policy coordination.

Assistive Technology: To help individuals with disabilities overcome obstacles to employment, the budget also provides \$41 million for the Department of Education's Assistive

Technology program to help make assistive technology devices and services available. Within this total is \$15 million to help States establish low-interest loan programs to help individuals with disabilities purchase assistive technology. In addition, the budget includes \$18 million in the National Institute of Disability and Rehabilitation Research and the National Science Foundation for research, demonstrations, and technical assistance on how to make technology more accessible. Lastly, to increase employment of people with disabilities in the Federal Government, the budget also includes \$3.5 million for the General Services Administration to make assistive technology available to Federal employees.

Work Incentive Grants: The budget continues competitive grants enacted in 2000 (totaling \$20 million a year) to be awarded by DOL to partnerships of organizations in every State, including organizations of people with disabilities, to help One-Stop Career Centers and Workforce Investment Boards provide a range of high-quality services to people with disabilities working or returning to work.

Limit on Medicare Coverage in the Ticket to Work and Work Incentives Improvement Act: In the compromise on the Act, its Medicare benefit was limited to an additional four and a half years. Because of this limit, the provision postpones rather than eliminates the disincentive to work since Medicare provides the necessary coverage that is often unavailable or unaffordable on the job. The budget proposes to remove this limit and extend Medicare coverage indefinitely.

Tax Credit for Workers with Disabilities: The budget proposes a \$1,000 tax credit for workers with disabilities or their spouses to defray additional work-related costs such as personal assistance services.

In addition, the budget continues to invest in other programs which help disabled individuals prepare for the workforce, including \$6.4 billion for Special Education programs, described earlier in this chapter, which serve individuals with disabilities up to age 21; and \$2.8 billion for Vocational Rehabilitation. The budget also supports other important disability programs, including the Committee for Purchase From People Who are Blind

or Severely Disabled, the National Technical Institute for the Deaf, Gallaudet University, and programs to encourage the development of technology that is accessible to people with disabilities.

Improving Labor Standards for All Workers: In addition to expanding employment opportunities, the budget affirms the Administration's commitment to improving labor standards for all workers. Here at home, the Administration's commitment has helped to produce the lowest occupational fatality and injury and illness levels in the United States on record. Abroad, the Administration's commitment has made the United States a world leader in efforts to ensure that globalization helps to raise up labor conditions around the world.

International Child Labor: In his 1999 Budget, the President proposed to increase the U.S.'s annual support for the International Labor Organization's International Program for the Elimination of Child Labor (IPEC) tenfold, resulting in a five-year investment of \$150 million dollars. However, in order to respond to the need for IPEC's comprehensive strategies to eliminate abusive and exploitative child labor, this budget increases the U.S. annual contribution another 50 percent to \$45 million per year, enabling IPEC to expand its work to more countries and industries. In addition, the budget includes a new initiative designed to help eliminate child labor by expanding access to basic education. Evidence suggests that poor access to affordable, effective, basic education is a major contributor to child labor and that effective strategies to combat child labor include increasing access, lower costs, and improving the quality of basic education. The President's budget includes \$55 million a year to help developing countries with high levels of abusive child labor to enroll and retain these children in basic education as part of a comprehensive strategy to eliminate child labor. The President also seeks to double, from \$5 million to \$10 million, U.S. Customs resources to enforce the ban on the importation of goods made with forced or indentured child labor.

Domestic Child Labor Activities: The budget continues \$13 million for DOL, including \$8 million to help eliminate violations of domestic child labor laws, particularly in the agriculture sector, and \$5 million for demonstration programs to provide alternatives to field work for migrant youth. In addition, the budget includes \$5 million for a new program in the Department of Agriculture to teach farm safety to children who work on farms, including migrant youth. The budget also proposes \$2 million for DOL to implement targeted enforcement tools, including "strike teams," in the agriculture and garment industries to increase compliance with labor standards, including child labor.

International Labor Standards: The budget sustains \$20 million for the International Labor Organization's (ILO's) multilateral technical assistance program to help developing countries implement ILO core labor standards and \$20 million, an increase of \$10 million, for DOL to help countries with which the U.S. has important bilateral relationships develop and administer labor standards and strengthen social safety net programs. The budget includes \$10 million for a joint State Department, DOL, and Environmental Protection Agency initiative to improve our ability to assess the institutional capacity of developing countries to administer labor and environmental laws as part of an effort to improve the mobilization and targeting of U.S. and international technical assistance. In addition, the budget provides \$10 million for a new Global HIV/AIDS Workplace Initiative targeted at providing multilateral assistance through the ILO to support health education and HIV prevention in the workplace. The budget also provides \$7 million for State Department support of innovative partnerships aimed at eliminating sweatshops around the world. The budget also includes \$1 million for an independent evaluation unit to ensure that the array of DOL programs aimed at promoting core labor standards, increasing global AIDS awareness, and eliminating the worst forms of child labor achieve their intended results.

Workplace Safety and Health: The budget includes approximately \$670 million to promote safe and healthful conditions for over 100 million workers through DOL's Occupational Safety and Health Administration and Mine Safety and Health Administration.

Through a combination of targeted enforcement, compliance assistance, and regulatory approaches, these agencies protect workers from illness, injury, and death caused by occupational exposure to hazardous substances and conditions.

2. SUPPORTING WORKING FAMILIES

In this era of unprecedented prosperity, we still have some work... to do to make sure that we embrace all Americans in this prosperity and to give every American the chance to succeed at work and at home... America is a better place because our families are stronger, our children are growing up in more stable homes, and every adult American who is willing to work has a chance to do so.

President Clinton
August 1999

While the surge of economic growth in the past seven years has presented a wealth of opportunities, this new economy also means that parents work harder than ever. Many face a constant struggle to fulfill their obligations as workers and the even greater responsibility of doing a good job in raising their children.

From the start, President Clinton has advanced policies to strengthen the family, in large part by helping Americans balance the twin demands of work and parenthood. The first bill he signed into law, two weeks after taking office, was the Family and Medical Leave Act, granting workers the right to 12 weeks unpaid leave to care for a newborn child, or a sick child or parent, or attend to their own serious health needs. The President has expanded after-school programs and funding for child care and early childhood learning including, in the past seven years, increasing funding for Head Start by 90 percent, moving toward the goal of serving one million children by 2002.

In the course of this Administration, the President has sought to encourage and support work and responsibility, pillars of the family structure. A central goal of his 1993 economic package was to make work pay. The President's economic plan expanded the Earned Income Tax Credit (EITC), helping 15 million low-income working families. In 1998, the EITC lifted 4.3 million people out of poverty, more than twice as many as in 1993. In 1996, he proposed, and signed into law an increase in the minimum wage, followed in 1997 by the child tax credit of \$500 per

child and the State Children's Health Insurance Program (SCHIP), which provides health insurance to the children of low-income working parents who otherwise would not be able to afford it.

The President believes that individuals have a responsibility to work to support their families, and government has a responsibility to reward work. In 1996, he signed legislation to reform the Nation's welfare system into one that requires and rewards work and responsibility. There is now increased flexibility for States to administer work-focused welfare programs. In order to provide support for those entering the work force, this legislation expanded funds for child care. Significant steps have been taken to ensure that eligible working families retain access to food stamps and Medicaid, and to increase participation in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). Welfare reform has also placed additional responsibility on non-custodial parents for financial responsibility in child rearing by strengthening child support provisions. In order to support at-risk families and individuals, this Administration has advanced policies to provide support for those at-risk, which can prevent a slide into dependency.

In this budget, the President builds upon these policies that are central to his agenda of work, responsibility, and family. The budget expands the EITC to provide marriage penalty relief to two earner couples, reduce marginal tax rates, and provide a higher credit to larger families, who face a child poverty rate twice as high as families with one

or two children. This budget promotes early learning and improves child care quality. It makes child care more affordable by expanding subsidies and the Child and Dependent Care Tax Credit, including making it refundable in order to help defray child care costs for low- and moderate-income families. The budget expands 21st Century Learning Community Centers, increases support for education of disabled children, and expands Head Start. It also expands resources for WIC and proposes to restore food stamps, Medicaid, and Supplemental Security Income for certain legal immigrants. It continues efforts to move people from welfare to work. It includes a major initiative to help former welfare recipients and other low-income families succeed on the job and move up the career ladder. This initiative provides competitive grants to States and local communities that build partnerships to maximize the use of existing resources to provide work supports and skill training. The budget promotes responsible fatherhood, proposing tough new measures to ensure that all parents who can afford to pay child support do so, making sure more support goes directly to families, and making sure that unemployed fathers who owe child support go to work and provide that support. This new initiative is targeted at increasing the employment, earnings, and child support payments of low-income fathers.

Increasing the Earned Income Tax Credit

The Federal Government is committed to helping those who work meet the cost of raising their children. The EITC helps to meet this goal by supplementing the earnings of working families. In his 1993 economic program, the President proposed, and Congress enacted, legislation to substantially expand the credit, helping 15 million low-income working families. The expansion contributed to reducing the poverty rate to 12.7 percent in 1998, the lowest rate since 1979. Having implemented a series of EITC

error-reduction initiatives, including the provisions in the Taxpayer Relief Act of 1997, the President is proposing another increase in the EITC.

The budget includes a 10-year, \$23.6 billion proposal to expand the EITC to provide tax relief for 6.8 million working families by increasing the credit received by larger families and married couples. The poverty rate for children in families with three or more children is more than twice that of children in smaller families. This proposal would increase the maximum credit for families with three or more children by approximately \$500 in order to help roughly 2.1 million low- and moderate-income families. Approximately 5.4 million families with two or more children would also benefit from a slower phaseout rate, so parents could keep more of what they earn even as their earnings increase. The proposal would also provide an average credit increase of \$250 for married two-earner couples by allowing them higher combined earnings; a two-earner couple with children could earn up to \$14,480 and still receive the maximum credit. In addition, the proposal would simplify the rules for measuring earned income.

Expanding Child Care Resources

The President's 2001 proposal builds on the successes of last year's budget in which the Administration obtained \$173 million to help States improve the quality of child care, \$10 million for child care research, and an increase of \$254 million for the Education Department's after-school/summer-school program.

The budget proposes a range of further increases and new policies to expand the accessibility, affordability, and quality of federally-funded child care. The 2001 child care initiative would increase spending and tax incentives by \$3.3 billion over 2000 (see Table 2-1).

Table 2-1. The Budget Supports a \$3.3 Billion Increase in Resources for Child Care, 36 Percent Over 2000

(Budget authority, in millions of dollars)

	1993 Actual	1999 Actual	2000 Estimate	2001 Proposed	Change: 1993 to 2001	Change: 2000 to 2001
Spending:						
Discretionary and Mandatory Budget Authority:						
Child Care and Development Fund ¹	2,753	3,167	3,550	4,567	+2814	+1,017
Child Care and Development Block Grant	893	1,000	1,183	2,000	+1,107	+817
Child Care Entitlement to States		2,167	2,367	2,567	NA	+200
Head Start	2,776	4,660	5,267	6,267	+3,491	+1,000
Early Learning Fund				600	+NA	+600
21st Century Community Learning Centers		200	453	1,000	+1,000	+547
College Campus-Based Child Care		5	5	15	+15	+10
Child Care Apprenticeship Program		4	5	5	+5	
Developmental Disabilities Special Projects, State Support Systems		4	4	4	+4	
Total Spending	4,529	8,040	9,284	12,458	+7,329	+3,174
Changes in Tax Expenditures:						
Expansion and Simplification of Child and Dependent Care Tax Credit ²				121	NA	+121
Tax Credits for Private Employers				42	NA	+121
Total Changes in Tax Expenditures				163	NA	+163
Total	4,529	8,040	9,284	12,621	+7,329	+3,337

NA=Not applicable.

¹ Includes discretionary Child Care and Development Block Grant and mandatory Child Care Entitlement to States.² Includes AFDC/JOBS, Transitional, At-risk, and discretionary child care programs that were consolidated into the Child Care and Development Fund beginning in 1997.³ Includes tax expenditures and effect on outlays.

To make child care more affordable, the budget proposes an expansion of resources for the Child and Dependent Care Tax Credit, tax credits for private employers, the Child Care and Development Fund, and college campus-based child care. In addition, it continues the existing child tax credit and exclusion of employer contributions for child care expenses.

Child and Dependent Care Tax Credit (DCTC): The DCTC helps approximately six million families cover their child care costs each year. This proposed expansion will gradually make the credit refundable so it will be available to low-income working families for the first time. The expansion will also increase the amount of the credit for middle-income families who are struggling to afford child care. The budget also proposes further expansion of this tax credit to help parents who

choose to stay home to raise a young child. These proposals would provide tax credits worth \$7.5 billion over five years.

Tax Credits for Private Employers: To encourage businesses to provide child care services to their employees, the budget proposes a new tax credit for private employers that expand or operate child care facilities, train child care workers, contract with a child care facility to provide child care services to employees, or provide child care resource and referral services to employees. This proposal would provide tax credits worth over \$500 million over five years.

Child Care and Development Fund: Federal funding for child care has more than doubled under this Administration, providing child care services for 1.75 million children from low-income working families or families mov-

ing from welfare to work in 1999. The budget would further increase funds for the Child Care and Development Fund by \$817 million, enabling the program to provide child care subsidies for nearly 150,000 additional poor and near-poor children in 2001. These new funds will bring the Child Care and Development Fund to a level of \$4.6 billion, with \$2 billion in the Child Care and Development Block Grant and \$2.6 billion in the Child Care Entitlement to States. When combined with the child care funds provided in welfare reform beginning in 1997, the new funds will enable the program to serve 2.3 million children by 2003, an increase of over one million since 1997.

College Campus-Based Child Care: To encourage low-income parents to pursue higher education, the budget includes \$15 million for the Child Care Access Means Parents in School program to establish and support child care services on college campuses. States may also use a share of the Child Care and Development Fund for this purpose.

Exclusion of Employer Contributions for Child Care Expenses: The 2001 Budget continues this measure, consistent with current law, permitting parents to exclude up to \$5,000 of employer-provided child care expenses from their taxable income and Social Security earnings. The exclusion from income tax will provide nearly \$4 billion in benefits over five years.

Tax Credit to Help Meet the Cost of Raising a Child: The Child Credit, which the President proposed and Congress enacted as part of the 1997 Taxpayer Relief Act, helps working parents raise their children by providing \$500 per child for all children under age 17. The credit, which will provide over \$93 billion in tax benefits over the next five years, will help 26 million families with over 44 million children in 2001.

Strengthening Early Childhood Learning

The budget provides new funds to improve the safety and development of young children, including the new Early Learning Fund, and continued expansion of the highly successful Head Start program.

Head Start: Head Start, one of the President's highest priorities, is America's premier early childhood development program. It supports working families by helping parents get involved in their children's educational lives and providing services to the entire family. Since 1993, the President has worked with Congress to increase annual Head Start funding by 90 percent. In 2000, Head Start will serve 880,000 low-income children, including up to 44,000 children under age three in the Early Head Start component that the President launched in 1995.

The budget proposes to expand Head Start funding by \$1 billion in 2001 and add approximately 60,000 Head Start pre-school slots and 10,000 Early Head Start slots, bringing the total number of children in Head Start to approximately 950,000. The Administration intends to increase participation by underrepresented groups in specifically targeted areas with recent influxes of immigrants and limited English proficient children, including seasonal farmworkers. The proposed increase invests in program quality improvement measures and makes further progress toward the President's goal of enrolling a million children in Head Start by 2002, including doubling the number of infants and toddlers in Early Head Start.

Early Learning Fund: Scientific research on reading compiled by the National Academy of Sciences shows that children participating in quality early childhood programs have significantly higher reading achievement from third grade through eighth grade, have fewer behavior problems, are less likely to be required to repeat a grade or to be referred to special education, and are more likely to graduate from high school. The White House Conference on Early Child Development and Learning in 1997 highlighted the importance of experiences in the early years of life to school readiness. In response, the Administration proposed the Early Learning Fund to help improve early childhood education for children under five years old. The budget proposes to establish the Early Learning Fund at a level of \$3 billion over five years to provide community grants for activities that foster cognitive development. Activities would focus on language acquisition, emergent literacy, reading development, numeracy, and other early child-

hood education, health, and emotional development activities aimed at improving child care quality and readiness for school. Resources could be used to help providers obtain certification, facilitate licensing or accreditation of child care programs, enhance provider training and retention, and reduce child-to-staff ratios—quality factors associated with positive developmental outcomes for young children. Grants to States would be contingent on reporting on progress toward child care quality goals and on children's progress toward educational goals. A Federal evaluation would assess improvements in outcomes that result from the Fund.

21st Century Community Learning Centers: First funded in 1997 and expanded dramatically in 1998, this program provides grants to public schools, in partnership with community-based organizations, to establish and expand extended learning time opportunities.

This year, the budget proposes to more than double funding for this program to \$1 billion, in order to reach over 10,000 schools and 2.5 million students. The 21st Century Community Learning Centers are part of a comprehensive approach to fix failing schools by providing low-achieving students the extra help they need to meet challenging academic standards. The budget provides sufficient funds for this program to make after- and/or summer-school programs universally available to help turn around all Title I schools identified as low-performing, while also offering high quality after-school opportunities to others.

Continuing Support for other Key Programs that Assist Families

Investments in Child Care Quality: In response to the President's request for 2000, Congress provided an additional \$173 million for child care quality activities, which supplements the \$135 million that would already have been available for these activities in 2000. Congress has also advance appropriated another \$173 million for quality activities for 2001. States invest these dollars in improving child care quality through activities such as resources and referrals for parents, scholarships and training for child care providers,

monitoring and inspection of providers, networks for family day care providers, and linkages with Head Start. The budget also requests a continuation in 2001 of the \$50 million reserved in 2000 for activities to improve the quality of child care for infants and toddlers.

Research on Child Development and Child Care: Research on child care, and dissemination of its findings, is critical to support State and local policy makers in their decision-making about child care and to help parents learn how to evaluate and where to find quality child care. At the President's request, Congress provided \$10 million for new research activities in 2000 to expand our knowledge of good policies and practices—including the types of child care settings, parent activities, and provider training that most benefit the early development of children—and to demonstrate effective consumer education programs and hotlines. This budget requests \$10 million in continued research funding for 2001.

National Crime Prevention and Privacy Compact: Last year, the President and Congress worked together to pass legislation, based on a proposal from the White House Conference on Child Care, to help build a new electronic information sharing partnership among Federal and State law enforcement. This legislation makes background checks on child care providers (and other non-criminal justice checks) more efficient and accurate by eliminating some of the barriers that have made it difficult for States to share information about the criminal backgrounds of job seekers.

Services for Families of Children with Disabilities: Children with disabilities and their families face a broad range of obstacles to achieving educational success. Ensuring that the educational needs of the youngest children with disabilities are fully met is critical to the Administration. (For a discussion of the Administration's work incentives initiative for individuals with disabilities and investments in special education programs, see Chapter 1, "Investing in Education and Training.")

The budget continues a \$4 million program proposed two years ago by the President and funded by Congress to help the families

of children with disabilities. This program provides grants to States to expand and modify their State-wide support systems to help these families address such problems as inadequate child care options, missed job training and job opportunities, the loss of medical assistance, and teen pregnancy.

Promoting Self-Sufficiency

Improving Access to Food Stamps: For many low-income working families, access to food stamps can keep them out of poverty. However, between 1995 and 1997, food stamp participation fell five times faster than the poverty rate, suggesting that some working families have left the program though they remain poor. Last year, the President took a series of actions to ensure working families who need food stamps know how to get access to them. These steps included launching a nationwide public education campaign and toll-free hotline to help working families know they are eligible for food stamps, allowing States to make it easier for working families receiving Temporary Assistance to Needy Families (TANF) to own a car and still be eligible for food stamps, and simplifying food stamp reporting rules to reduce bureaucracy and encourage work.

The budget will build upon such efforts by providing funds to improve outreach and nutrition education to individuals who are eligible for food stamps. The budget also proposes to help the many working poor families for whom owning a vehicle is the one item that makes them ineligible for food stamps. For many of these families, a car is necessary in order to get to jobs or job training, as well as to access essential services, such as child care, that allow them to work. The budget proposes to make it easier for 245,000 individuals in working families to own vehicles and receive food stamps by allowing States to conform their food stamps vehicle policy with a more generous TANF program.

In addition, the budget provides \$565 million in food stamp benefits for legal immigrants (see discussion later in this chapter).

Increasing Parental Responsibility Through Child Support Enforcement: The President's campaign to ensure that parents

support their children is working. In 1998, the number of paternities established rose to nearly 1.5 million, and child support collections have nearly doubled since the President took office, to an estimated \$15.5 billion in 1999. In 1999, net Federal costs for child support enforcement were \$1.7 billion.

The budget builds on this success by taking important, additional steps to increase child support collections and to direct more of these payments to low-income families. The budget expands the Administration's Family First policy enacted under welfare reform by allowing States to adopt simplified child support rules under which all collections made on behalf of former welfare families would be paid to the family. This proposal would result in an additional \$815 million in child support paid to these families over five years, improving their chances of staying off the welfare rolls.

The budget also proposes to provide Federal matching funds for child support that States distribute to families on welfare above States' current efforts. Matching funds would only be available for child support which does not reduce the family's cash benefit, resulting in an estimated \$388 million more in child support income for families on welfare over five years. In addition, the budget would require States to review child support orders for these families every three years, increasing the Federal share of child support collections by \$262 million through 2005.

The budget includes several new measures to increase child support collections from parents who owe past-due child support. The budget proposes to intercept the gambling winnings of these parents, and to offset their Social Security and other Federal benefits to collect past-due support. The budget would also add vehicle booting to the set of enforcement tools available to States to bring delinquent non-custodial parents into compliance. The budget would also deny passports to delinquent non-custodial parents with more than \$2,500 in child support arrears, lowering the threshold from \$5,000 under current law, and prohibit them from enrolling as a Medicare provider. These proposals would result in \$669 million more paid to families

through 2005, and would provide Federal savings of \$362 million.

The budget stabilizes State and Federal funding of the child support program. The budget improves the methodology for awarding incentive payments to States to make these payments a more reliable funding stream for States. The budget also conforms the Federal match rate for paternity testing with the lower administrative match rate, resulting in \$41 million in Federal savings over five years.

Supporting Children Leaving Foster Care: An estimated 20,000 children leave foster care each year having reached the age of 18 without being adopted or finding another permanent relationship. Without the financial, as well as social and emotional support that families provide, many of these youth find themselves inadequately prepared for life on their own. Studies that examined former foster youth two to four years after leaving care found that only half had completed high school, less than half were employed, and only about 40 percent had held a job for one year or more. Of these young adults, one-fourth had been homeless at least one night, 60 percent of the females had given birth, and fewer than one in five were completely self-supporting. In November 1999, working together with Congress, the President secured a 50-percent increase in funds to help former foster youth transition to adulthood, and new authority giving States the option of providing Medicaid coverage to these youth up to age 21. The budget proposes to increase 2000 funding for this program to \$140 million, the full amount authorized and double the amount provided in 1999, and to maintain this higher level in 2001.

Working to End Violence Against Women: Since 1993, funding for services to victims of domestic and sexual violence has grown by over \$400 million and the passage of the Violence Against Women Act of 1995 expanded the Government's role in supporting services and providing scientific knowledge to prevent and treat violence against women. The budget proposes an increase of over \$20 million to further strengthen and increase the availability of battered women's shelters and counseling services, increase culturally appro-

prate services in under-served populations, and expand resources for research and prevention activities aimed at changing the social norms that allow this violence to occur. These new funds will allow programs addressing violence against women to serve an additional 30,000 women and children.

Assisting Impoverished Border Communities: The budget provides \$5 million in assistance for rural, impoverished communities along the United States/Mexico border. Almost all of the residents in these communities are poor, and one-third receive no food assistance. These funds will help to build partnerships that will improve the delivery of nutrition assistance, health, and other programs to these impoverished areas.

Restoring Equity in Benefits for Legal Immigrants

The President believes that legal immigrants should have the same economic opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the unnecessary cuts in benefits to legal immigrants that were unrelated to the goal of moving people from welfare to work. As part of the 1997 Balanced Budget Act, the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants. The next year, the Noncitizens' Benefit Clarification and Other Technical Amendments Act restored eligibility to additional legal immigrants. In response to the Administration's request, the 1998 Agricultural Research Act restored food stamp benefits to 225,000 elderly, disabled, and other needy immigrants, including 70,000 children who lawfully resided in the United States as of August 22, 1996.

Despite these gains, many legal immigrants, including disabled individuals and families with children, remain ineligible for nutrition assistance, health, and disability benefits. The budget provides \$2.5 billion over five years to let States provide health care to legal immigrant children and pregnant women, to restore SSI eligibility to legal immigrants with disabilities, and to restore food stamp eligibility to certain aged immigrants and

to legal immigrants in families with eligible children. The SSI and related Medicaid benefits in the budget that apply to immigrants who entered the country after August 1996, and became disabled thereafter, would only start after five years of residence.

Health Care: As described in Chapter 3, “Strengthening Health Care,” the budget would let States provide health coverage to legal immigrant children and pregnant women under Medicaid and, in the case of children, SCHIP. Currently, States can provide health coverage to legal immigrants who entered the country before the welfare law was enacted. But, immigrants who entered after the law was enacted cannot get benefits for five years. Under these proposals, States could provide health coverage to those children and pregnant women through Medicaid or through SCHIP. In addition, parents of legal immigrant children who have coverage restored would also be covered by the Medicaid/SCHIP family coverage policy described in Chapter 3, “Strengthening Health Care.”

Supplemental Security Income (SSI): The budget would provide approximately \$1.2 billion over five years to restore SSI and related Medicaid to legal immigrants who entered the country after August 22, 1996, lived in the United States for more than five years and became disabled after entry. Currently, only legal immigrants who entered the country before August 22, 1996, can be found eligible for SSI disability benefits.

Food Stamps: As mentioned earlier in this chapter, the budget provides \$135 million over five years to ensure that legal immigrants in the United States as of August 22, 1996, who are eligible for food stamp benefits may receive them once they reach age 65. In addition, the budget builds on the progress made in the Agricultural Research Act by providing \$430 million over five years to restore benefits to adult legal immigrants who were residing in the United States before August 22, 1996, and are currently living with eligible children.

Continuing Support for Working Families

The Administration is committed to policies that encourage the transition from welfare to work, and, once that transition has been made with success, supporting the efforts

of working families so that they will stay in the work force and move forward (see Table 2–2).

Helping Families Move from Welfare to Work: The President has led successful efforts to help millions of families make a successful transition from welfare to work.

Temporary Assistance for Needy Families (TANF): The President signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, and States have refocused their welfare systems to support work. Welfare caseloads have fallen by over five million since President Clinton signed the welfare reform law, and by over 50 percent since he took office, to their lowest level in 30 years. Moreover, recent data from the Census Bureau’s Current Population Survey show an 82-percent increase in the rate of employment for individuals leaving welfare since 1992.

Welfare-to-Work (WtW) Grants: Because of the President’s leadership, the 1997 Balanced Budget Act included \$1.5 billion in 1998 and 1999 for a new Welfare-to-Work grants program. WtW provides grants to States and local communities to help long-term, hard-to-employ welfare recipients, and certain non-custodial parents, secure lasting, unsubsidized employment. Grantees may spend their funds for up to three years after receipt.

Funds are used for job creation, job placement, job retention, training, and other post-employment support services. Working closely with Congress, the Administration secured critically needed changes to WtW’s eligibility requirements. The streamlined eligibility criteria will allow WtW to use existing resources to more effectively help long-term welfare recipients and non-custodial parents of low-income children work and support their children. To allow grantees to fully implement these program improvements, the budget proposes a two year extension of the period of time in which existing funds can be spent.

To build on the investments and partnerships begun under the Welfare-to-Work program and the Workforce Investment Act, this budget proposes an additional \$255 million for Fathers Work/Families Win, including

Table 2-2. The Budget Includes \$290 Billion Over Five Years in Support for Families with Children Through the Tax System

(In millions of dollars)

	1993 Actual	Estimate					Total 2001-2005
		2001	2002	2003	2004	2005	
Tax Expenditures							
Existing Law: ¹							
Earned Income Tax Credit ^{2, 3}	12,400	29,935	31,193	32,162	33,445	34,746	161,481
Child Tax Credit ²		20,000	19,475	18,615	17,985	17,275	93,350
Child and Dependent Care Tax Credit	⁴ 2,559	2,360	2,330	2,305	2,275	2,250	11,520
Exclusion of Employer Contributions for Child Care Expenses		700	725	765	805	850	3,845
Proposed Legislation:							
Expand and Simplify the Earned Income Tax Credit ^{2, 5}		2,308	2,240	2,281	2,318	2,340	11,487
Expand and Simplify the Child and Dependent Care Tax Credit ^{2, 6}		121	589	922	2,715	3,144	7,491
Tax Credits for Private Employers for Child Care Expenses		42	88	121	140	148	539
Total		53,270	56,640	57,171	59,683	60,753	289,713

¹ Does not include interaction effects between provisions.² Includes tax expenditures and effect on outlays.³ Excludes credit for workers who do not live with children.⁴ Calendar year actual for 1993.⁵ Includes an expansion of the credit for families with three or more children, a slower phaseout of the credit for families with two or more children, marriage penalty relief for two-earner couples, and simplification of the earned income definition.⁶ Includes an expansion of the credit for families with earnings below \$60,000, a phase-in of refundability, and assistance for stay-at-home parents of infants.

a \$10 million set aside to provide grants to Indians.

Fathers Work/Families Win: This initiative includes \$125 million for Fathers Work to put non-custodial parents (mainly fathers) who owe child support to work and help engage them in the lives of their children. As part of this effort, States will need to put in place procedures to require more non-custodial parents—whether their child is on welfare or not—to pay child support or go to work. The remaining \$120 million will be dedicated to Families Win to help low-income parents stay in their jobs, move up the career ladder, and remain off cash assistance. Competitive grants would be awarded to business-led State and local work force boards who demonstrate strong partnerships with community based organizations, faith based organizations, public entities such as Medicaid, food stamps, child support enforcement, TANF, and child care resources, transportation agencies, public housing authorities, and postsecondary schools. Families Win will provide resources for case manage-

ment and skill training for low-income families to ensure retention, advancement, and long-term success in the work force through improved access to training and food stamps, Medicaid, child care, and other critical support for eligible working families. Families Win includes \$5 million to finance improved information and access for low-income families through the One-Stop delivery system to the range of existing work supports and services such as food stamps, Medicaid, and the EITC.

Welfare-to-Work Transportation: One of the biggest barriers facing people who move from welfare to work—in cities and in rural areas—is finding transportation to get to jobs, training programs and child care centers. The President's leadership on this issue helped secure funding through 2003 to assist States and localities in developing flexible transportation alternatives, such as van services, for welfare recipients and other low-income workers. The budget proposes to double funding to \$150 million for this program in 2001.

Welfare-to-Work Housing Vouchers: In the 1999 Budget, the President proposed \$283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job, and Congress approved full funding for this new initiative. Families will use these housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing to eliminate emergencies that keep them from getting to work every day on time. The budget proposes \$183 million for an additional 32,000 vouchers, bringing the total number of welfare-to-work vouchers to 82,000 in 2001.

Individual Development Accounts (IDAs): Since 1992, President Clinton has supported the creation of IDAs, savings accounts to help low-income workers buy a first home, finance postsecondary education, or start a new business. The President signed into law in 1998 legislation providing \$10 million to get the program off the ground. The budget provides \$25 million for IDAs. The Administration will propose legislation to allow low-income workers' families to use IDAs to save for a car that helps them get or keep a job.

Social Services Block Grant (SSBG): SSBG supports an array of critical services to more than nine million low-income children and adults. The budget proposes to fund the SSBG at \$1,775 million in 2001, an increase of \$75 million over the authorized level to maintain funding at the 2000 level. Of this amount, \$25 million will be available to support second chance homes for unmarried teen parents and their children who cannot live at home or with other relatives. The basic SSBG grant provides funding to States to support a wide range of programs including child protection and child welfare, child care, and services focused on the needs of the elderly and the disabled. The inherent flexibility of this grant permits States to target funds to meet the specific needs in their communities.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): The Administration has continued to target resources to low-income infants and children.

WIC, for example, reached over 7.3 million persons each month in 1999. Funding in 2000 is sufficient to serve 7.4 million women, infants, and children, and the budget proposes \$4.1 billion to serve 7.5 million people by the end of 2001, fulfilling the President's goal of full participation in WIC. (See Chapter 3, "Strengthening Health Care", for more information on WIC.)

Providing Better Benefits in the Workplace: The President has led successful efforts to ensure a living wage for all American workers while expanding their ability to care for their families and protect their health care benefits. In addition, the President has proposed an innovative way to allow States to provide partial wage replacement for parents who need to take leave to care for a newborn or recently adopted child.

Expanding the Family and Medical Leave Act (FMLA): In early 1993, the President proposed, and Congress enacted FMLA, which allows covered workers to take up to 12 weeks of job-protected, unpaid leave to care for a newborn or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child, or spouse making it less likely that employees will have to choose between work and family. The President continues to support expansion of FMLA to reach workers in firms with 25 or more employees, extending coverage to almost 12 million more workers.

Making family leave more affordable: Many workers face barriers to taking advantage of unpaid leave. A 1996 Study found that loss of wages was the most significant barrier to parents taking advantage of unpaid leave following the birth or adoption of a child. To address the existing barriers, the President's budget provides \$20 million for competitive planning grants to States and other entities to explore ways to make parental leave and other forms of family leave more affordable and accessible for American workers. This initiative would enable States and others to identify the workers who need financial assistance to take parental leave or other forms of family leave and to evaluate and develop options to aid these workers.

Ensuring equal pay: The budget includes \$27 million for the President's Equal Pay Initiative, an increase of \$12 million over 2000. The initiative requests \$10 million for the Equal Employment Opportunity Commission (EEOC) to provide training and technical assistance to about 3,000 employers on how to comply with equal pay requirements and to launch a public service announcement campaign on wage issues. The initiative also dedicates \$10 million in the Department of Labor (DOL) to train women in nontraditional jobs including high-tech jobs and other skill shortage occupations. Lastly, the initiative provides \$7 million for DOL to help employers assess and improve their pay policies, support public education efforts, provide for projects in nontraditional apprenticeships, and implement industry partnerships.

Increasing the minimum wage: In 1996, the President successfully sought a minimum wage increase that gave a big financial boost to full-time, full-year minimum wage workers, raising the pay of each by approximately \$1,800 a year. In November 1999, the President reiterated his support to further raise the minimum wage to \$6.15 an hour by the beginning of 2001. Increasing the minimum wage by one dollar in two equal steps simply restores the real value of the minimum wage to what it was in 1981. More than 10 million workers would benefit under this proposal. This increase will help ensure that as costs continue to increase, parents who work hard and play by the rules can bring up their children out of poverty. The President remains strongly committed to increasing the minimum wage and will work with Congress to ensure the enactment of this vital increase.

3. STRENGTHENING HEALTH CARE

We must also keep fighting to extend affordable health care to Americans who lack it. This is a continuing problem in our Nation, as all of you know. Still there are too many children who lose their hearing because an ear infection goes untreated, or wind up in the emergency room because they couldn't see a doctor in a more regular way. Too many patients skimp on their own health to provide coverage for their children; too many missed chances to prevent illness and prepare young people to lead healthy lives—all these the product of the fact that tens of millions of Americans still don't have affordable health care.

President Clinton
January 2000

From the first days of his Administration, President Clinton has worked to expand access to affordable quality health care for all Americans. When he took office in 1993, workers feared that taking leave from work to care for an ill family member could cost them their jobs. There were no Federal protections to assure the portability of health benefits for workers who changed or lost their jobs or to protect workers from discrimination by health plans based on their health status. Individuals with disabilities were not able to return to the workforce without losing their Medicare or Medicaid health coverage.

At that time, the ability of the Nation's health care system to deliver high quality care was in question. The public health delivery system was in badly need of repair: half of two-year-olds did not receive immunizations they needed against deadly diseases; cigarette use among youth was increasing; teenage pregnancy rates were high; the number of new HIV/AIDS infections and deaths was spiraling; and, Federal support for mental health was a low priority. Health care costs were rising at a rapid rate while the number of uninsured—especially uninsured children—was growing. Fraud, abuse, and inefficiency plagued the Medicare and Medicaid programs. Moreover, the strains on the Medicare program meant that it was projected to enter bankruptcy in 1999.

There are still many challenges, but in the past seven years, there has been significant progress in improving the Nation's health

care system. Largely through reforms enacted in the Balanced Budget Act of 1997, success in curbing fraud, waste, and abuse in the Medicare program, and a sound fiscal policy, the Federal Government's success in constraining the growth of Medicare and Medicaid has freed resources to expand coverage and extend the life of the Medicare trust fund to at least 2015, while pursuing a responsible and balanced fiscal policy that will eliminate the national debt.

There are other key measures of this progress: today childhood immunization rates for the most critical vaccines are at over 80 percent; the rate of increase in youth smoking slowed over the past two years and experts predict that the slowing will continue; teenage pregnancy is at an all time low; and, Federal funding for mental health has increased by 90 percent.

The enactment of the Health Insurance Portability and Accountability Act means that today Americans who change jobs can maintain their health insurance coverage while insurers are now limited in their ability to deny coverage due to pre-existing conditions. Last year's enactment of the Ticket to Work and Work Incentives Improvement Act enables people with disabilities to enter the workforce without losing their critically important health coverage. The President continues to vigorously pursue efforts to pass a Patients' Bill of Rights before leaving office to extend essential patient protections to all Americans, including guaranteed access to needed health

care specialists and emergency room services. By Executive Order last year, the President extended these and other essential patient protections to the more than 85 million Americans enrolled in Federal health plans.

The State Children's Health Insurance Program (SCHIP) was created in 1997 to provide coverage for the uninsured children of hard-working, low-income parents. SCHIP has doubled its enrollment in the past year to two million uninsured children. The success of SCHIP illustrates that it is possible, working in partnership with the States, to formulate and implement policies to significantly expand coverage to millions of uninsured Americans. Support for and the expansion of SCHIP to include parents are among the President's key initiatives in the 2001 Budget.

The budget builds on these accomplishments with initiatives that include:

- *Preparing for the aging of America:* The budget includes the President's Medicare reform proposal, which strengthens and modernizes the program by extending the life of the Medicare trust fund to at least 2025 and provides for the provision of a long overdue and optional prescription drug benefit. The budget also addresses the Nation's growing long-term care needs by expanding the President's long-term care initiative.
- *Improving access to affordable health care:* The budget includes a major new initiative to decrease the number of uninsured that includes: expanding coverage to the uninsured parents of children eligible for Medicaid and SCHIP; accelerating enrollment of uninsured children in Medicaid and SCHIP; offering 55 to 65 year old Americans the option to buy into the Medicare program; encouraging small businesses to offer health insurance; providing a tax credit for the purchase of health insurance for employees in transition; restoring Medicaid eligibility to legal immigrants; and, extending transitional Medicaid programs for the working poor.
- *Assuring and improving quality of care:* The budget includes investments to improve the quality of care for patients Nation-wide, including new efforts to prevent medical errors and improve the quality of care through improvements in information technology. It also includes a new initiative to protect patients purchasing prescription drugs over the Internet. These initiatives complement the Administration's support of a strong, enforceable Patients' Bill of Rights. The Norwood-Dingell legislation is representative of such a policy, which has received broad, bipartisan support in the House of Representatives.
- *Supporting biomedical research:* Building on recent funding increases for the National Institutes of Health (NIH) and investing almost \$19 billion at NIH in 2001, this budget includes a \$1 billion increase for biomedical research. The Federal investment in biomedical research continues to yield dramatic medical advances that improve health and quality of life. These additional resources will build on existing research in such areas as genomic medicine and bioengineering, that combine knowledge of basic biology with technological advances to produce new, life-saving therapies.
- *Safeguarding and improving public health through disease prevention and health promotion:* To protect and advance public health, the budget invests in: a stringent tobacco control policy; expanded efforts to combat HIV and AIDS both domestically as well as overseas; food safety programs; additional efforts to combat emerging infectious diseases; a new cancer clinical trials demonstration project for Medicare beneficiaries; family planning efforts Nation-wide; efforts to promote childhood immunizations; mental health and substance abuse prevention activities; improving the public health response to the threat of bioterrorism; a strong Food and Drug Administration (FDA); and, providing quality care for Native Americans and veterans.

The budget provides significant increases to address global public health challenges, such as HIV/AIDS, polio, and infectious diseases.

- *Ensuring the fiscal integrity of the Medicare and Medicaid programs:* The budget proposes aggressive efforts to reduce Medicare fraud, waste, and abuse, and to improve the management of Medicare and Medicaid.

Preparing for the Aging of America

Since its creation in 1965, Medicare has provided medical care for tens of millions of older and disabled Americans, extending and saving lives in the process. Medicare is an essential part of American life—elderly Americans can be secure in knowing their medical needs will be treated while their adult children are not forced to make the difficult choice between their parent’s medical costs and the needs of their own children. However, the demographic changes ahead, associated with the aging of America, mean that unless we make the right decisions today, the future of Medicare is at risk. Moreover, an aging society will strain our current long-term care system—which is already fragmented and not meeting the needs of many Americans.

At the start of a new century, all Americans can take great pride in the legacy of the Medicare program. In its 35-year history, Medicare has helped to lift elderly Americans out of poverty, while offering health care that has extended and improved the quality of their lives. During this time, the average life expectancy of Americans at age 65 has increased by 20 percent. Poverty among the elderly has dropped by nearly two-thirds, and access to care has increased by one-third.

However, this new century will present Medicare with serious challenges. With Americans living longer, the number of Medicare beneficiaries is rising much faster than the number of workers paying into the system. By about 2015, the Medicare trust fund will be insolvent just as the baby boom generation begins to retire and become eligible for Medicare. Since Medicare’s creation, the world of medicine has changed, including

increased reliance on prescription drugs to treat illness and extend lifespan. If we are to keep the promise of Medicare for future generations, the program designed for the 1960s must be modernized and strengthened to meet the challenges of the 21st Century.

The budget includes a comprehensive plan to reform and modernize this vitally important program. This historic plan will: (1) modernize Medicare’s benefits; (2) make the Medicare program more efficient and competitive; and, (3) extend the solvency of the Medicare Hospital Insurance Trust Fund.

Modernizing Medicare’s Benefit Package:

- *Creating a prescription drug benefit:* The centerpiece of the President’s plan is an outpatient prescription drug plan that would be available to all Medicare beneficiaries. The drug plan would have no deductible and pay half of all beneficiaries’ prescription drug costs up to \$2,000 in 2003 and \$5,000 when fully phased-in by 2009. The benefit would be administered by private sector pharmaceutical benefit managers (PBMs) or other qualified entities, who rely on market competition to ensure access and quality for Medicare beneficiaries while obtaining lower prices on drugs. Low-income beneficiaries with incomes below 135 percent of poverty would not pay premiums or share in the cost of drug coverage and those with incomes between 135 and 150 percent of poverty would receive premium assistance. The plan also proposes to give financial incentives to employers who currently offer retiree prescription drug benefits to encourage the private sector to maintain its important coverage.
- *Expanding access to preventive benefits:* This plan creates incentives to encourage Medicare beneficiaries to monitor their health and get medical care early, if necessary, which can save lives and minimize the need for more extensive medical treatment later. It would eliminate existing co-insurance and the deductible for Medicare-covered preventive benefits, including colorectal cancer screenings, bone mass measurement, pelvic exams, prostate cancer screening, diabetes self management

benefits, and mammographies. The plan also proposes a three-year demonstration to provide smoking cessation services to Medicare beneficiaries.

- *Rationalizing cost sharing and Medigap:* To help offset the costs of benefit improvements, the President's plan proposes to add new cost-sharing requirements for clinical laboratory services and to adjust the Part B deductible by indexing for inflation. It has been fixed at \$100 since 1991. The plan also proposes to improve the Medigap market by expanding opportunities and options for individuals to enroll in Medigap plans.
- *Reserving additional funds for protections against catastrophic drug costs:* The budget includes a reserve fund of \$35 billion in on-budget surplus money over 10 years. This funding is reserved for debt reduction or, in the event that the President and Congress agree, a policy that provides for protections against catastrophic drug costs for Medicare beneficiaries, or policies that otherwise strengthen the Medicare program.

Making Medicare More Efficient and Competitive:

- *Fee-for-Service (FFS) modernization:* The budget proposes to give the traditional fee-for-service Medicare program new purchasing tools to leverage volume discounts from health care providers and improve quality of care. These proposals build on prior successful Medicare demonstrations, and management tools commonly found in the private sector, such as disease management services, which have been found to improve health care outcomes while reducing health care costs.
- *Competitive defined benefit proposal:* Under current law, Medicare+Choice plans are paid through a complicated administrative pricing structure that sets Government payments to private plans based on the costs of the traditional FFS program. For the first time, beneficiaries will be able to choose their managed care plan based on price and quality. The President's plan proposes to require plans to

bid on a defined set of benefits and gives beneficiaries an incentive to choose lower cost plans in the form of lower premiums.

- *Medicare management improvements:* The President's plan continues its initiative to improve the Health Care Financing Administration's (HCFA's) management of the Medicare program through a continuing reform process that will increase HCFA's flexibility while also increasing accountability.

Extending the Solvency of the Medicare Program: At a time when America's prosperity is strong, we need to prepare for the coming demographic boom, and strengthen Medicare for future generations. The President's plan dedicates part of the budget surplus to Medicare solvency—\$299 billion over 10 years. This will extend the solvency of the Medicare Hospital Insurance Trust Fund to at least 2025, and will eliminate the need to radically cut access to and quality of Medicare benefits for America's elderly that would be inevitable in the absence of new resources. At the same time, by paying down the debt, this will ensure that the Government and the Nation are soundly positioned to meet the challenge of the retiring baby boomers.

Improving Long-term Care: The budget proposes a \$3,000 tax credit to provide support for Americans who care for a disabled or elderly relative. The budget also proposes group long-term care insurance for Federal employees, annuitants, and their families. Employees would pay the full cost of insurance premiums, which, at group rates, are expected to be 15 to 20 percent lower than the individual rates otherwise available. The budget invests \$100 million in an innovative housing initiative to integrate assisted living facilities and Medicaid home and community-based long-term care and \$140 million in a new Medicaid option to equalize eligibility for people with long-term care needs in community settings. The budget includes \$125 million for a new national program to provide assistance to families who care for disabled elderly relatives by supporting local efforts to provide respite care and counseling, information, and other support services.

Improving the Quality of Nursing Home Care: The budget invests an additional \$15.9 million for continuing Nursing Home Initiative activities, a 29-percent increase over the 2000 funding level. The initiative will help States strengthen nursing home enforcement tools to ensure facilities meet Federal quality standards, and increase Federal oversight of nursing home quality and safety standards. The initiative includes funding to improve and target nursing home inspections and respond to resident and family complaints in a timely and effective manner. Funding will be provided for more frequent surveys of repeat offenders and improving surveyor training, handling increased legal advice, litigation, and hearings on nursing home enforcement cases and addressing the backlog of nursing home appeals.

Improving Access to Affordable Health Care

The President remains strongly committed to expanding access to health care, particularly to vulnerable groups such as children, the near-elderly who are not yet eligible for Medicare benefits, families who cannot afford health insurance, and legal immigrants. His 2001 Budget proposal to expand access to affordable health insurance to working Americans represents the most significant investment in health coverage in recent years. This proposal addresses the continued rise in the number of uninsured, one of the few indicators that has not improved in this strong economy. These policies to expand access to affordable insurance would be complemented by an investment of an additional \$175 million in community-based efforts to strengthen the health care safety net.

Increasing Children's Enrollment in SCHIP: The President proposed the creation of a State Children's Health Insurance Program in 1997. Passed by Congress the same year, the program provides health insurance to uninsured, low-income children, increases their access to early preventive medicine (including immunizations), and enhances their chances of becoming healthy adults. Administered by the States, either through Medicaid or a separate SCHIP program, SCHIP has already successfully reached two million uninsured, low-income children. Despite the suc-

cess of initial enrollment efforts, however, more must be done to provide health insurance coverage to uninsured, low-income children.

This initiative accelerates enrollment of uninsured children in Medicaid and SCHIP by expanding efforts in schools and simplifying eligibility. This initiative promotes enrollment in the SCHIP program and in Medicaid through schools by: enabling school lunch programs to share eligibility information with Medicaid and SCHIP for outreach programs; and, allowing additional sites, such as schools, child care referral centers, and homeless programs to determine presumptive eligibility. The initiative would also simplify the enrollment process by requiring states to make Medicaid applications no more complicated than their SCHIP applications. Finally, it creates an one-time \$10 million competitive grant program for State demonstrations to coordinate programs and increase enrollment of homeless children and families in Medicaid, SCHIP, and other social service programs.

Covering the Uninsured Parents of Children in Medicaid or SCHIP: At the center of the President's 2001 health insurance coverage initiative is a proposal to allow States to cover the parents of children eligible for Medicaid and SCHIP. Many of the parents of the children eligible for Medicaid and SCHIP are themselves uninsured. Expanding Medicaid and SCHIP eligibility to parents will help reduce the growing number of low-income adults who are without health insurance and increase the enrollment of their children by enabling entire families to receive coverage through the same programs.

The budget proposes to expand SCHIP to become the FamilyCare program. FamilyCare would:

- *Provide higher Federal matching payments for expanding coverage to parents.*

States that raise their eligibility levels for parents would receive higher Federal matching payments for coverage provided to these parents. Funding for these payments will be provided through increased State allotments.

- *Enroll the parents in the same program as their children.*

Parents would be insured in the same program as their children to improve efficiency and continuity of care. Priority would be given to parents at the lowest end of the income eligibility scale just as lower income children are given priority in SCHIP. States would also be required to show that they are successfully enrolling children below 200 percent of the Federal poverty level in SCHIP before accessing additional funds for adults. Given the experience of SCHIP and the strong State support to extend SCHIP to parents, it is likely that many States will take up this option. If, after five years, however, some States have not expanded coverage of parents to at least 100 percent of poverty (\$16,000 for a family of four), a failsafe mechanism would be triggered to require States to go to at least that level of coverage.

Providing Medicare Buy-In for Certain 55 to 65 Year Olds: The fastest growing group of uninsured are those ages 55 to 65. Between 1997 and 1998, the proportion of people in this age group who were uninsured increased by seven percent. As the baby boom generation enters this age group, this problem will only get worse. This initiative expands the health options available for older Americans by: enabling Americans aged 62 to 65 to buy into Medicare; providing a similar Medicare buy-in for vulnerable displaced workers ages 55 and older; and providing COBRA to Americans ages 55 and older whose companies reneged on their commitment to provide retiree health benefits. To help people afford the Medicare buy-in, a new tax credit of 25 percent of the cost of the premium would be created. It would be available to both people ages 62 to 64 and displaced workers ages 55 to 65. Those in this group accessing COBRA would qualify for the 25 percent credit for COBRA (described below).

Encouraging Small Businesses to Offer Health Insurance: Workers in small businesses are more likely to be uninsured. This initiative would encourage small businesses to offer health insurance through: a new tax credit for small businesses who join coalitions; tax-

exempt status for foundation contributions to create coalitions; and, technical assistance. It would be different from last year's proposal because the credit would be increased to 20 percent of the employer contribution, and the credits would be available for eight years.

Providing a Tax Credit for COBRA Continuation Coverage: Currently, employers must offer departing employees the option of buying into their health plan at a premium of 102 percent. Intended to ensure coverage during the transition to new jobs, this policy has proven unaffordable to some people and burdensome to some employers. To address these concerns, the new proposal would provide a tax credit of 25 percent for this coverage to departing employees who take this option.

Extending Transitional Medicaid Extension: The budget proposes to extend and improve the transitional Medicaid program, which provides up to one year of coverage to those in transition, including welfare recipients who get jobs. This eases the transition to work and removes a critical disincentive—the immediate loss of Medicaid coverage. Without this extension, the program would end in October 2001.

Providing a New Medicaid Option to Cover Certain Low-Income Uninsured Women with Breast or Cervical Cancer: The budget includes a proposed State option to provide Medicaid coverage to low-income, uninsured women who screen positive under the CDC Breast and Cervical Cancer Early Detection Program.

Expanding State Options to Insure Children Through Age 20: Nearly one in three people ages 18 to 24 are uninsured, mostly because they are no longer dependents but often do not have jobs that offer affordable coverage. The budget would allow States to cover people ages 19 and 20 in Medicaid and SCHIP.

Restoring Medicaid Eligibility for Legal Immigrants: The budget would restore Medicaid benefits to three vulnerable groups of legal immigrants: children; pregnant women; and, disabled immigrants whose eligibility for SSI would also be restored. In addition, parents of legal immigrant children who have benefits restored would also be covered under the

Medicaid/SCHIP family coverage policy described above. As the President has pledged, and has achieved for other groups so affected, this would reverse an inequity enacted in welfare reform.

Reinforcing the Nation's Safety Net: To continue to address the health care needs of people who remain uninsured, the Administration's budget strengthens funding for the direct delivery of health care services and improves access to the health care system. The budget proposes \$125 million, a 400-percent increase, to improve health care access for the uninsured by coordinating systems of care, increasing the number of services delivered, and establishing accountability in the system to assure adequate patient care. Additionally, the budget proposes an increase of \$50 million for a total of over \$1 billion to support and enhance the network of community health centers that serve millions of low-income and uninsured Americans.

Assuring and Improving Quality of Care

President Clinton has forcefully advanced efforts to promote patients' rights and ensure the delivery of high quality health care. Last year, the House of Representatives passed the Norwood-Dingell legislation which provides a strong enforceable Patients' Bill of Rights. The President encourages Congress to finish this job and pass legislation that includes critical patients protections such as: guaranteed access to needed health care specialists; access to emergency room services when and where the need arises; continuity of care protections so that patients will not have an abrupt transition in care if their providers are dropped; access to a fair, unbiased and timely internal and independent external appeals process to address health plan grievances; and, an enforcement mechanism that ensures recourse for patients who have been harmed as a result of a health plan's actions. These protections are now guaranteed for the 85 million Americans in Federal health plans. In the budget, the President has included a number of initiatives to improve health care quality.

Preventing Medical Errors and Improving Quality of Care: As many as 90,000 Americans die each year as the result of medical errors. The budget includes new funding at HHS, VA, and DOD to develop new avenues for the prevention of medical errors, including new funding to increase medical errors prevention, patient safety research, and information dissemination. In addition, in 2001, the Office of Personnel Management (OPM) will require Federal Employees Health Benefits Program participating carriers to institute initiatives to improve health care quality through the prevention of medical errors and enhancements in patient safety. The budget will also take steps to improve health care quality and reduce medical errors by investing in the development of information technology in the health care system, one of the most effective ways to improve the quality and efficient delivery of healthcare. This initiative will also ensure a coordinated Federal focus on health information confidentiality and security data standards.

Protecting Patients Purchasing Prescription Drugs Over the Internet: This initiative will invest \$10 million in new funds in the investigation, identification, and prosecution of websites selling unapproved new drugs, counterfeit drugs, prescription drugs without a valid prescription, expired or illegally diverted pharmaceuticals, and the marketing of products based on fraudulent health claims. It will also establish new Federal certification requirements for all Internet pharmacy sites, increase current civil penalties, and provide FDA with new administrative subpoena authority.

Improving Health Care Quality: The budget proposes a \$51 million increase for the Agency for Healthcare Research and Quality to enhance research on the uses and tools of health information technology, conduct clinical prevention research in the area of medical error reduction, expand research on worker safety issues, and otherwise enhance research on health care services, outcomes, effectiveness, cost, and quality.

Supporting Biomedical Research

Biomedical research is a foundation for combating disease and providing new technologies, from the eradication of smallpox to the disappearance of polio in the Western Hemisphere. Funding for biomedical research at NIH has increased by 73 percent since the beginning of the Clinton Administration. To underscore the Administration's commitment to this important research, the President made a commitment in 1999 to increase the NIH budget by nearly 50 percent in five years. Since that time, the NIH budget has increased by over \$4.3 billion. If the Congress provides full funding for the President's new \$1 billion investment, the Administration will be one year ahead of schedule in reaching the 50 percent goal and will have increased by over 80 percent since 1993. NIH now supports the highest levels of research ever for cancer, diabetes, heart disease, and nearly all types of disease and health conditions.

The knowledge gained from investing in biomedical research has already yielded a powerful information base that is steadily growing and paving the way for concrete advances. For example, major clinical studies have demonstrated that if people with diabetes can control their blood sugar levels very carefully, they can reduce or prevent development of complications of the disease. A sustained investment in NIH will enable scientists to seize emerging research opportunities in diabetes and other diseases that are a tremendous burden on health in the United States and abroad.

This year, the budget proposes an additional \$1 billion for NIH, for a total funding level of nearly \$19 billion. These resources will allow NIH to continue to support new and expanded research that will lead to new medical advances such as those referenced in the Diabetes Research Working Group study. In addition, the budget proposes to repeal the provision enacted for 2000 which would delay the availability of 2000 funds for NIH and other HHS programs.

Using Genetic Discoveries to Improve Health Care: The Human Genome Project is scheduled to complete a working draft of the genome sequence by the spring of 2000, consid-

erably ahead of schedule. New funds included in the budget will be used to explore the genetic factors associated with:

- *Complex chronic diseases:* Over the past year, researchers supported by NIH have discovered a number of genes associated with hearing loss, Alzheimers disease, and epilepsy. New funds will be used to continue this research and investigate the genetic causes of complex chronic diseases, including diabetes, heart disease, retinal disorders, and Parkinson's disease.
- *Individual response to medical therapies:* Genetic discoveries often reveal new strategies for the development of more effective pharmaceuticals because we are able to determine exactly how certain chemicals interact with human cells. New funds will be used to research how an individual's genetic makeup determines the effectiveness of medications, as well as what side effects are likely to occur.

Translating Research into Practice: Over the past year, researchers supported by NIH have discovered a simple, affordable drug to prevent transmission of HIV in infants, which could potentially prevent the infection of up to 400,000 newborns, and a tissue engineering method to grow new arteries, key to the development of new therapies for heart disease.

Funds will be used to develop new clinical trials evaluating therapies for cancer, stroke, diabetes, and mental illness and disseminate information on the clinical application of scientific breakthroughs to the public.

Eliminating Health Disparities: Racial and ethnic minorities face disproportionately high infant mortality, low rates of childhood vaccination, high prevalence of cardiovascular disease and diabetes, and shorter lifespans than the population as a whole.

In addition, NIH will establish within the Office of the Director a Coordinating Center that will lead NIH's efforts to develop multidisciplinary approaches to reducing health disparities. In addition, NIH will seek legislative authority for the Coordinating Center to award grants for health disparities research under exceptional circumstances. The budget includes a \$20 million increase for health disparities research conducted by NIH Insti-

tutes and the Office for Research on Minority Health that will be an integral part of the new center.

Fostering Interdisciplinary Research:

New funds will be used to: develop and expand competitive grant programs to encourage researchers in fields such as mathematics, physics, and computer science to contribute to medical research and develop new ways to effectively manage data to maximize the scientific discoveries that will spring from new biological information.

Safeguarding and Improving Public Health Through Disease Prevention and Health Promotion

The budget affirms the Administration's commitment to improving public health, with renewed emphasis on measures to combat smoking, especially among young people. The budget also makes additional investments in: expanded efforts to combat HIV and AIDS both domestically and internationally; food safety programs; efforts to combat emerging infectious diseases; efforts to determine the environmental causes of disease; family planning efforts nationwide; efforts to promote childhood immunizations; supports pediatric physician training; a Medicare demonstration project on cancer clinical trials; mental health and substance abuse prevention activities; asthma treatment for low income children; improving the public health response to the threat of bioterrorism; a strong FDA; and, providing quality care for Native Americans and veterans.

Fighting Infectious Diseases Overseas:

The budget dedicates \$50 million to purchase vaccines for diseases that ravage poor nations, including hepatitis B, certain forms of meningitis, and yellow fever, helping to save millions of children. Purchasing existing vaccines is the first step toward accelerating the development and delivery of vaccines for AIDS, malaria, TB, and other diseases disproportionately affecting the developing world. Funds will be invested in the Global Alliance for Vaccines and Immunizations, a new, collaborative effort of UNICEF, the World Bank, the World Health Organization, and other governments and private organizations around the world. In addition, a new tax credit will encourage the devel-

opment of vaccines for diseases that occur primarily in the developing world (e.g., HIV/AIDS, malaria, TB, and other infectious diseases).

Stopping Youth Smoking: Almost 90 percent of adult smokers began smoking by age 18 and today, 4.1 million children aged 12 to 17—37 percent of all high school students—smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease, and other problems. To end this public health crisis, the budget supports a focused public health effort to reduce youth smoking. The 1998 State tobacco settlement was an important step in the right direction. The Administration believes additional steps must be taken at the national level to reduce youth smoking.

- *Cut youth smoking in half by holding the tobacco industry accountable:* Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. To build on the momentum of the increases already agreed to between the tobacco companies and the States and those already legislated by Congress, the budget includes a combination of excise tax increases and youth smoking assessments. The cigarette excise tax would be increased 25 cents per pack beginning October 1, 2000, and the already legislated increases would be moved to that date. In addition, beginning in 2004, tobacco companies would pay a youth smoking assessment, at twice the estimated lifetime profit per underage smoker each year that underage smoking has not been reduced by 50 percent.
- *Reaffirm FDA's full authority to keep cigarettes out of the hands of children:* The Administration will continue to support full FDA authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products.
- *Support efforts to prevent youth smoking:* To support tobacco prevention in States and local communities, the budget includes \$39 million for FDA tobacco enforcement activities. The budget also provides \$106 million for the Centers for Disease Control and Prevention's (CDC) to-

bacca control efforts—a tenfold increase from \$10.3 million in 1993 to \$106 million in 2001.

- *Require States to cover smoking cessation drugs under Medicaid:* The budget includes a proposal to require States to cover prescription and non-prescription smoking cessation drugs for Medicaid beneficiaries at the standard Federal match. This proposal furthers the Administration's goal of reducing the incidence of smoking-related diseases and ensures that Medicaid beneficiaries have access to important smoking cessation drugs.
- *Protect farmers and farming communities:* The Administration fully supports the \$5 billion settlement to compensate tobacco farmers, which was agreed to by the States and the industry in 1998, and is committed, as Federal litigation proceeds to judgement or settlement, to ensuring funds are set aside for tobacco farmers and their communities.
- *Dedicate tobacco recoveries to strengthening Medicare and Social Security, farmers, veterans, and other Federal health programs:* Tobacco-related health problems have cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the Department of Justice has brought suit against the tobacco industry, and the budget contains ample resources to pay the necessary legal costs. The Administration will propose that, in addition to any remedies imposed by the court to advance public health, \$5 billion of any judgement or settlement be used to assist tobacco farmers and their communities, and to support the Department of Veterans Affairs health programs and other Federal health programs. One hundred percent of the remaining recoveries would be dedicated to the Medicare and Social Security trust funds, two-thirds to Medicare and one-third to Social Security, to enhance the security of these programs for future generations.

Preventing HIV Transmission: The budget includes an additional \$50 million in community-based prevention interventions and education in the United States to reduce the rate of new HIV infections through expanded

community prevention planning, with a special emphasis on racial and ethnic minorities, women, injection drug users and their partners, and young gay men. The budget also proposes a \$125 million increase in Ryan White treatment grants to increase access to quality medical care for individuals living with HIV/AIDS including expanded access to life saving pharmaceuticals. The budget continues the initiative to reduce the spread of HIV/AIDS in racial and ethnic minority communities.

The Administration secured, in 2000, \$100 million to begin a Global HIV/AIDS initiative to help prevent the spread of HIV and AIDS in the developing world. This year, the budget will invest a total of \$342 million in HIV prevention around the world to build on that commitment, adding \$100 million to last year's allocation. Funds will be targeted to the countries where the disease is most widespread and where our efforts will have the greatest impact. Activities include: increasing primary prevention efforts; providing care and treatment for individuals infected with HIV; caring for children orphaned by AIDS; strengthening the public health infrastructure; assisting armed forces in preventing the spread of HIV within military organizations; and, initiating HIV prevention programs in the workplace.

Enhancing Food Safety: The budget proposes a \$68 million, or 19-percent, increase over the 2000 level for the Administration's interagency food safety initiative (FSI), for a total of \$422 million in FSI funding in 2001. This includes an additional \$30 million to: allow the FDA to conduct annual inspections of 100 percent of high-risk food establishments; expand the number of imported food exams; complete the National Antimicrobial Resistance Monitoring System; increase laboratory testing capacity; improve research and risk assessment (particularly in the areas of antimicrobial resistance in animals and animal feeds and in the development of methods for predicting risk associated with foodborne pathogens); and, expand surveillance and education activities. A \$10 million increase would allow CDC to enhance the national network of public health laboratories capable of subtyping foodborne pathogen DNA for rapid response to disease outbreaks (PulseNet), as well as enhance public education efforts. USDA's

\$28 million increase would extend risk assessment modeling and data collection to include the pre-harvest phase for all foods, expand education activities, and support bioscience research to develop effective methods of handling and treating agricultural products to minimize microbial contamination. Funding is also included for HHS and USDA to begin implementation of the Egg Safety Action Plan, adopted by the President's Council on Food Safety in December 1999.

Preventing Infectious Diseases: This initiative will dedicate an additional \$20 million, a 45-percent increase over the 2000 funding level, to create a consistent national architecture for infectious disease surveillance to link public health clinics, hospitals, and health care providers. A standardized national system for collecting and analyzing epidemiological data on infectious diseases will also help address problems, such as West Nile-like encephalitis and influenza.

Determining the Environmental Causes of Disease, Including Breast and Prostate Cancer: This initiative will invest an additional \$10 million, a 56-percent increase over the 2000 funding level, for CDC's environmental health laboratory to: evaluate the exposure of men, women, and children to toxic substances that may cause breast and cervical cancer, birth defects, or other diseases; develop new and improved methods of measuring human exposure to toxic substances; and, assist State and local public health officials to rapidly evaluate the impact of public health emergencies, such as chemical spills and groundwater contamination, on local residents.

Increasing Family Planning Efforts Nationwide: The budget will invest an additional \$35 million, a 15-percent increase over the 2000 funding level, for grants to family planning clinics providing reproductive health services and clinical care to roughly five million low income clients. Family planning funding has contributed to the lowest teenage pregnancy in 20 years, the decline in teenage sexual activity, and the prevention of over a million unintended pregnancies each year by improving the delivery of comprehensive reproductive health services. In addition, these clinics provide STD and cancer screening and prevention; HIV prevention, education and coun-

seling; educational programs that encourage adolescents to postpone sexual activity; access to contraceptive counseling and services as well as access to effective contraceptives for those in need; and, partnerships with other community based providers to conduct outreach to adolescents at risk. The budget also continues the requirement that health plans in FEHBP offer the full range of contraceptive options.

Promoting Childhood Immunizations: The budget proposes almost \$1 billion for the childhood immunizations initiative, including the Vaccines for Children program and CDC's discretionary immunization program. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, is at an all-time low.

Eradicating Global Polio: The budget includes funds in CDC and the U.S. Agency for International Development to continue efforts to eradicate polio globally, and provides an additional \$15 million through CDC in 2000 to expedite and intensify global polio eradication activities in those countries where polio still exists.

Increasing Access to Cancer Clinical Trials Through a Demonstration for Medicare Beneficiaries: The budget increases access to cutting-edge cancer treatments by establishing a \$750 million demonstration program. Medicare beneficiaries who participate in certain cancer clinical trials will have their routine patient care costs reimbursed by the Federal Government.

Expanding Substance Abuse Activities: The budget includes an \$82 million increase for the prevention and treatment of substance abuse, a 50-percent increase from the 1993 enacted level. These new funds continue the Administration's commitment to expand substance abuse treatment for thousands of under-served Americans. To help communities address gaps in substance abuse services for emerging areas of need, the budget proposes an additional \$54 million for Targeted Capacity Expansion grants, approximately \$10 million of which will be used for services to ex-offenders, complementing similar proposals in the Departments of Justice and Labor budgets. With this increase and an additional \$31 million in funding for the Substance Abuse Block

Grant, the budget will provide treatment for over 15,000 additional individuals. This additional \$97 million is funded through a combination of new resources and redirecting existing resources. In addition, in January 2001, the FEHBP's benefit structure will, for the first time, provide for parity in the provision of benefits for mental health and substance abuse, which have long been given less favorable treatment by the health care industry.

Increasing Federal Support for Improving the Mental Health of All Americans:

According to the December 1999 Surgeon General's Report on Mental Health, one in five Americans is living with a mental health disorder. This report states that the fundamental components of effective service delivery are broadly agreed upon, but in short supply. The budget provides \$731 million, an increase of \$100 million for mental health services, a \$349 million, 90-percent increase from 1993. This includes a \$60 million increase for the Mental Health Block Grant, which provides integral support to States for services for people with severe mental illnesses. The budget also proposes \$30 million for new Targeted Capacity Expansion grants to assist those with mental illnesses that the Mental Health Block Grant is not authorized to serve.

Improving Asthma Treatment for Low-

Income Children: The budget proposes \$100 million in demonstration grants to States to test innovative asthma disease management techniques for children enrolled in Medicaid to help these children receive the most appropriate care, and keep their asthma in check. This program serves as an example of how core entitlement programs can help to accomplish critical public health goals—keeping children with asthma out of emergency rooms through appropriate environmental and pharmaceutical disease management.

Supporting a Strong FDA: The budget proposes an increase of 13 percent, or \$163 million, over the 2000 program level to ensure the timely review of important drugs, medical devices, and food additives; expand inspection coverage of facilities under their jurisdiction; and, improve the quality of information on injuries and medical errors associated with FDA-regulated products.

Improving the Public Health's Response to the Threat of Bioterrorism:

The budget proposes an increase of \$18.5 million, seven percent after reductions are taken for one-time activities, for medical and public health response and preparedness related to potential terrorist use of biological and chemical weapons. The proposed increase would support 25 new local health care response systems for a total of 97 systems by the end of 2001. These activities are part of a broader multi-agency effort to address counter-terrorism.

Promoting Full Participation in the Women, Infants, and Children (WIC) Program:

Last year, WIC reached over 7.3 million low-income women, infants, and children, providing vouchers for nutritional food packages, nutrition education and counseling, and health and immunization referrals. Due in large part to expansion during this Administration, funding has grown by over 40 percent, and the program now helps nearly half of America's infants. Funding for 2000 is sufficient to serve 7.4 million women, infants, and children. This budget proposes \$4.1 billion to serve 7.5 million people by the end of 2001 in order to fulfill the President's goal of full participation, making sure that all who are eligible may take part in WIC.

Providing Quality Health Care to Native

Americans: The budget proposes an investment of \$2.6 billion, an increase of \$230 million, or 10 percent, over the 2000 funding level, that reflects a five-pronged funding strategy for the Indian Health Service (IHS) (see Chapter 7, "Strengthening the American Community"). This initiative includes new efforts to: expand preventive services designed to reduce the need for acute medical care; expand patient access to clinical services and treatment to help decrease health disparities; improve emergency medical services in remote locations common on American Indian and Alaska Native reservations; address the environmental conditions in American Indian and Alaska Native homes and communities by constructing safer water and waste disposal facilities; expand programs that provide substance abuse treatment and mental health services; enhance surveillance capabilities; provide preventive and corrective dental care and water fluoridation to reduce tooth loss; maintain, improve, and construct IHS' health delivery infrastruc-

ture; and, help meet the IHS' Government Performance and Results Act goals of providing an additional 20,000 screening breast cancer mammographies, increasing access to dental care to an additional 25,000 patients, and enabling 25 new community-based public health nurses to provide an additional 25,000 home-based counseling, monitoring, and case management services.

Caring for Veterans: Building on its commitment to veterans, the Administration proposes \$20.9 billion for the Department of Veterans Affairs medical care system, an increase of \$1.4 billion. This funding, which includes \$0.6 billion in collections, will ensure that the Department can aggressively reduce waiting times, provide high quality care, and test and treat Hepatitis C.

The budget provides for the full implementation of expanded benefits authorized by the recently passed Millennium Bill including: expanded nursing home care for the most disabled veterans and coverage of emergency care at non-VA facilities for certain enrolled veterans.

Ensuring the Fiscal Integrity of the Medicare and Medicaid Programs

The budget proposes improvements to Medicare and Medicaid to improve the efficacy and strength of these programs.

Strengthening Medicare Program Integrity: The budget includes several policies to further reduce Medicare fraud, abuse, and overpayment. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse, ensure that Medicare payments to hospitals and other providers are reasonable, and promote competitive pricing. In addition, the budget will eliminate overpayments that facilities receive for drugs used to treat anemia, reform outpatient mental health benefits, and require insurance companies to provide information that will ensure that private insurers pay claims for which they are legally responsible.

The budget also proposes a new Medicare contractor oversight initiative. This initiative will invest \$48 million in a comprehensive program to improve Medicare contractor internal controls and financial accounting, enhance

Federal performance measuring and monitoring, and establish a structure for overall Federal oversight. The initiative will fund additional contractor staff to establish and implement financial controls. The initiative will also develop new evaluation protocols and management information systems to assess contractor performance. The budget also funds new staff to monitor and oversee contractor operations and financial management and allows HCFA to contract out to test and evaluate contractors internal controls. This initiative was developed in response to a GAO report critical of a number of inappropriate practices by some Medicare contractors. In a closely related effort, the budget invests \$7 million to implement a new integrated financial ledger system at the contractors to improve financial accountability.

Maintaining Fiscal Responsibility in Medicaid: The budget includes four provisions that will strengthen fiscal integrity and accountability in the Medicaid program:

- *Ensure appropriate allocation of Medicaid costs:* The budget treats shared Medicaid and Temporary Assistance for Needy Families (TANF) administrative costs similar to the way the Agricultural Research Act of 1998 addressed common Food Stamp and TANF costs. The budget proposes a State-by-State approach and retains State flexibility in the use of TANF block grant funds.
- *Strengthen HHS' authority to enforce compliance with Medicaid requirements:* Separately, the budget also gives the Secretary of Health and Human Services modest new enforcement authority when States fail to comply in a non-substantial manner with Federal requirements.
- *Improve Medicaid payment for prescription drugs:* The Medicaid rebate statute currently requires brand-name drug manufacturers to pay an additional dollar-for-dollar rebate to the Medicaid program if they increase the prices of their brand-name drugs in excess of the Consumer Price Index (CPI-U). This same requirement does not apply to generic drugs. However, the Administration has found that some generic drug prices have increased rapidly in the past few years. The budget proposes

to extend to generic drugs the same CPI-U adjustment to the Medicaid rebate that currently applies to brand-name drugs.

- *Share the Medicaid prescription drug average manufacturer price (AMP) with States:* HCFA has found that prescription drug companies often inflate the prices charged to States on prescription drugs covered by the Medicaid prescription drug program.

The prices are inflated relative to the AMP, a measure that must be reported by drug companies to HCFA but may not be shared with States. Since many States use other less accurate information made to set Medicaid reimbursement rates, they often overpay for prescription drugs. The budget proposes to allow HCFA to share the AMP with States so that States can use this data to more accurately set Medicaid drug reimbursement rates.

4. PROTECTING THE ENVIRONMENT

From our inner cities to our pristine wild lands, we have worked hard to ensure that every American has a clean and healthy environment. We've rid hundreds of neighborhoods of toxic waste dumps, [and] taken the most dramatic steps in a generation to clean the air we breathe... We have made record investments in science and technology to protect future generations from the threat of global warming. We've worked to protect and restore our most glorious natural resources, from the Florida Everglades to California's redwoods... to Yellowstone. And we have, I hope, finally put to rest the false choice between the economy and the environment.

President Clinton
January 2000

From the start, President Clinton and Vice President Gore have firmly believed that we must expand the economy and we must protect and preserve the environment. The record of the past seven years is a clear example that we can do both with success. Today, as Americans enjoy the cleanest environment in a generation, the Administration continues to pursue its vigorous agenda to protect America's land, air, and water while our economy continues to set new records.

In the past seven years, the Administration has permanently enhanced the conservation of tens of millions of acres of ecologically, culturally, or historically significant lands; tripled the pace of cleaning up Superfund hazardous waste sites; enacted rules to reduce emissions from autos and small trucks by 75 to 95 percent; and, made America's drinking water significantly safer.

The Administration has protected millions of acres of fragile lands by: creating the Grand Staircase-Escalante National Monument in Utah, which provides enhanced protection for 1.7 million acres of spectacular red rock canyonlands and artifacts from three cultures; protecting Yellowstone National Park by halting the massive New World Mine in Montana, which posed a severe environmental threat to Yellowstone's unique landscape and wildlife resources; reaching an historic agreement, in partnership with the State of California, to purchase the Headwaters ancient redwood forest in northern California; and, placing 57,000 acres of the

last free-flowing stretch of the Columbia River into the national wildlife refuge system. It is also negotiating the purchase of the majestic 95,000 acre Baca Ranch in New Mexico in order to preserve its unique ecosystem. In addition, the President has designated three new monuments and expanded a fourth, protecting unique and fragile Federal lands from the rocky coast of California to the north rim of the Grand Canyon, creating the Grand Canyon Parashant National Monument and Agua Fria National Monument in Arizona, and the California Coastal Monument.

In its efforts to make day-to-day life safer for children and families, the Administration has recently set tough new clean air standards for cars, trucks, and gasoline that will improve the lives of millions of Americans who suffer from respiratory illnesses. The President has signed legislation to strengthen food and water safety, so American families will know their children have safe food to eat and have healthy and clean tap water to drink. The Administration has also greatly accelerated the pace of cleaning up Superfund hazardous waste sites, completing more than three times as many in the past seven years as were completed in the previous twelve. The United States has negotiated an international treaty, the Kyoto Protocol, to reduce greenhouse gas emissions, which contribute to global warming, in an environmentally strong and economically sound way.

In the future, our Nation will continue to face a host of environmental challenges—to provide cleaner air, safer water, and an environment free of toxic chemical threats, while preserving our grand natural wonders, and the small, simple green and open spaces closer to home. This budget is designed to build on the Administration's past successes and meet the challenges of the future by developing creative solutions and forming partnerships with affected stakeholders to meet our Nation's environmental challenges in innovative ways.

The 2001 Budget will target resources to new or expanded environmental initiatives: Lands Legacy, which includes a dedicated stream of funding to protect America's natural and historic treasures; Clean Energy, an effort to help reduce the threat of global warming; Greening the Globe, to save tropical and other forests around the world; and, an action plan to combat pollution in the Great Lakes. In addition, the budget provides additional resources to support: Farm Conservation to protect farmland and upgrade water quality; the Clean Water Action Plan to strengthen efforts cleaning up polluted waterways; and, Climate Change Technology efforts to continue research and development (R&D) on technologies to combat global warming.

Approaches for Environmental Success

Preserving Our National Treasures: We have the valuable opportunity today to make choices that will determine what is preserved for future generations. Just as we now are grateful for the far-sighted efforts of the last century to protect Yellowstone and Yosemite, so will Americans in the next century appreciate the measures taken by this Administration to conserve our natural treasures, including the fragile landscapes of the California Desert, the red-rock canyons of Utah, and the ancient redwood trees of the Headwaters Forest, as well as the Administration's ongoing efforts to acquire the majestic Baca Ranch in New Mexico. The Administration is also working to preserve important places that are central to America's history, including well-known sites such as Gettysburg and Independence Hall. It also seeks to commemorate more recent contributions to this Nation's history, in-

cluding the birth home of Martin Luther King, Jr., in Atlanta. The budget proposes to help protect these natural and historic treasures—large and small—through a set of programs that provide resources, including land acquisition under the Lands Legacy initiative.

Protecting Roadless Areas and Improving the Forest Road System: There are more than 50 million acres of roadless areas within the Department of Agriculture's (USDA's) National Forest System, which are both vital havens for wildlife, critical to the survival of endangered and other species; and the source of clean, fresh water for numerous communities. Last year, the President directed the Forest Service to develop, and propose for public comment, regulations to provide long-term protection for these roadless areas in the National Forest System. The Forest Service expects to adopt a final roadless rule following full public debate and comment in late 2000.

For national forest roaded areas, the Forest Service is preparing regulations designed to make the existing road system safe for forest visitors, responsive to public needs, environmentally sound, and efficient to manage.

Restoring Ocean Resources: The National Oceans Conference, held in June 1998, drew together for the first time a full array of ocean interests, from government to industry, science to conservation. The Conference resulted in many new initiatives, including new steps to restore coastal reefs, rebuild marine fisheries, preserve freedom of the seas, provide public access to military data and technology, enhance the competitiveness of America's ports, and protect our national marine sanctuaries from oil drilling. A follow-up report to the President and Vice President on the National Oceans Conference was issued in September 1999, which highlighted the importance of preserving the oceans' complex and delicate balances. The budget provides \$50 million in response to goals and commitments established at the Conference.

Conserving the Everglades: The Administration has provided an unprecedented level of funding to restore the Everglades—the most extensive ecosystem restoration effort ever undertaken in the United States. Since 1993, the Administration has directed \$1.5 billion to land acquisition, water projects, and scientific

research for Everglades restoration. Of this total, about \$500 million—including \$200 million from the 1996 Farm Bill—has funded the purchase of land in south Florida to help preserve the Everglades in perpetuity. A significant portion of these funds resulted from the Vice President's 1996 Everglades restoration plan, which proposed \$100 million annually over four years for the land acquisition effort.

In 1999, the Vice President presented the Administration's long-term comprehensive plan for Everglades restoration, known as the Central and Southern Florida Comprehensive Review Study, known as the Restudy. This effort relies upon Federal-State-Tribal partnerships, an innovative interagency task force, and the work of private, corporate, and governmental stakeholders who have joined together to restore the Everglades. The Restudy proposes a comprehensive response that would store water for critical uses; manage water to improve the timing and quantity of flows to the Everglades; improve wildlife habitat; and, create wetlands to filter runoff. The Federal Government and Florida will each pay half of the cost of implementing the plan, estimated at \$7.8 billion over the next 20 years once it is authorized. The Administration will submit authorizing legislation to implement the Restudy this year.

The budget continues the Administration's support for Everglades restoration, even in advance of new legislation. For this effort, the budget proposes about \$334 million for the Army Corps of Engineers, Department of the Interior, and other agencies—\$50 million more than Congress approved for 2000—including \$135 million for Corps of Engineers water project infrastructure and \$80 million for land acquisition.

Improving Park Management: The Administration is committed to improving national park management so that available funds are most effectively targeted at top priority needs. Last year, the Administration initiated reforms in park construction management and capital asset planning. This year, the Administration proposes a new senior-level manager to enhance National Park Service (NPS) partnership efforts and manage increasingly complex cooperative agreements, leases,

and concessions contracts. NPS has an unmatched potential to tap into the broad public support for our parks, as demonstrated by recent partnerships to restore Crissy Field in San Francisco and footpaths in Acadia National Park, Maine. This new effort will help other parks in negotiating similar agreements with partners and friends groups. It will also coordinate efforts within NPS to improve operational efficiency, business planning, and returns from leases and concessions contracts. As the Smithsonian Institution, military services, and others have learned, an organization without a business background often needs the input of specialized expertise to best handle business activities. This becomes increasingly important in a continuing era of constrained appropriations.

Targeting the Conservation Reserve Program (CRP): This USDA program encourages landowners to adopt long-term conservation practices on environmentally sensitive and erodible land by providing cost-share assistance and annual rental payments. The Administration's farm safety net proposal expands the CRP from 36.4 million to 40.0 million cumulative acres. In 1999, CRP enrolled 4.7 million of the most environmentally beneficial acres bid, bringing cumulative enrollment to 30.2 million acres. A related program, the Conservation Reserve Enhancement Program (CREP), addresses conservation issues of State and national significance through cost-sharing and targeting of Federal CRP and State funds, with a plan to help meet the State's specific conservation goals. By 2000, eight States (Oregon, Washington, Maryland, Illinois, Minnesota, New York, North Carolina, and Delaware) had signed CREP cost-sharing agreements totaling about 611,000 acres and \$1.1 billion over several years. USDA estimates that 20 States will have CREP agreements by the end of 2001.

Empowering Citizens with Knowledge: Requiring industries to share information about chemicals released into the air and water helps empower citizens to fight back, creating a powerful incentive for industry to pollute less. In the decade since the public's right to know about chemical releases became law of the land, industry's toxic pollution has fallen nearly 50 percent. The Administration has expanded the public's right to know by

doubling the number of chemicals subject to reporting requirements and by increasing by 30 percent the number of facilities that must report.

The Administration has also established the Chemical Right to Know Initiative, which includes a highly successful, innovative, voluntary partnership with industry to develop and provide the public with basic health data on chemicals released into the environment in high volume. The Environmental Protection Agency (EPA) has also greatly expanded the amount of environmental data available to the public through an initiative to provide the Nation's 86 largest metropolitan areas with real-time environmental information.

Providing Safe Drinking Water: Today, America's drinking water is significantly safer than six years ago. Administration efforts to strengthen drinking water safety, including amending the Safe Drinking Water Act in partnership with Congress, mean that 89 percent of Americans now get tap water from drinking water systems that meet these tough Federal standards, an increase of six percentage points since the standards went into effect in 1994. The Administration has also issued regulations requiring water systems to improve filtration and monitoring to protect against contamination by harmful microbes, and issue annual reports to their customers on the safety of their drinking water.

Reducing Air Pollution: During the last seven years, the Administration has taken major steps to improve the quality of the air we breathe and has helped cut the number of metropolitan areas not in compliance with Federal ozone standards from 98 metropolitan areas in 1993 down to 38 such areas today.

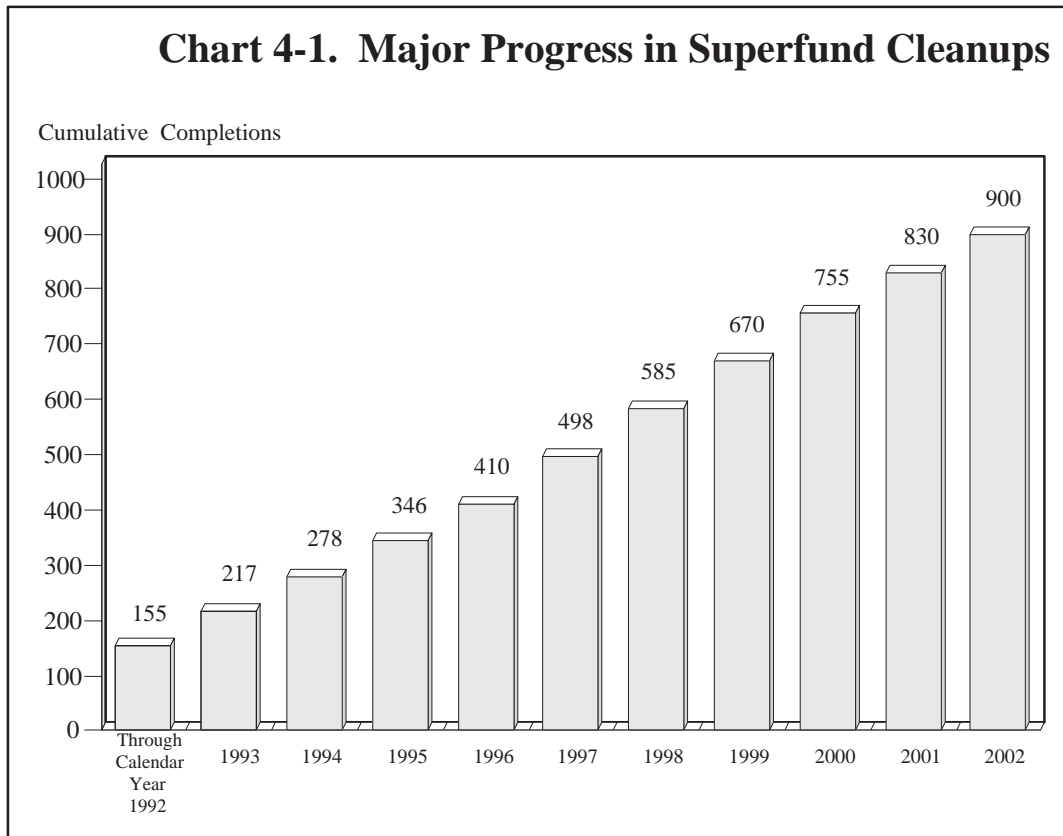
Late last year, EPA established new rules for the sulfur content of gasoline and emissions from new car and light duty trucks that will result in vehicles that are 77 to 95 percent cleaner than those of today. These measures, to be phased in from 2004 to 2009, may prevent thousands of premature deaths, tens of thousands of cases of respiratory illness, and hundreds of thousands of lost work days. In past years, EPA has

also issued rules to reduce toxic air pollution from chemical plants by 90 percent and put in place a program to clear the haze and restore pristine skies to our national parks.

Cleaning Up Toxic Waste Sites: EPA's Superfund program to clean up abandoned hazardous waste sites has become faster, fairer, and less expensive. At the end of 1999, a total of 670 Superfund sites had been cleaned up—515 of these cleanups have been completed since 1993, while only 155 of the sites were cleaned up during the previous 12 years.

The Administration proposes to clean up an additional 230 Superfund sites within the next three years. This plan would mean that some two-thirds, or 900, of the Nation's worst toxic waste dumps would be cleaned up by the end of 2002 (see Chart 4-1). EPA's Superfund administrative reforms are responsible for saving more than \$1 billion in future costs by updating cleanup remedy decisions (to determine whether the same level of protection could be provided at lower cost) at more than 290 sites, while streamlining the liability allocation process to reach settlement with more than 18,000 small parties at Superfund sites. The budget proposes \$1.45 billion to enable the Administration to meet its 900-site cleanup goal in 2002.

Redeveloping Contaminated Land: The Brownfields National Partnership is bringing together the resources of more than 20 Federal agencies to clean up and redevelop former industrial sites in economically disadvantaged areas. Communities have reported that the initial two-year investment of \$385 million has already created over 5,000 jobs and leveraged \$1.8 billion in private investment, as well as helped to preserve existing uses of undeveloped land. The brownfields tax incentive, enacted as part of the 1997 Taxpayer Relief Act and extended by the 1999 Tax Relief Extension Act, will leverage another \$4 billion in private investment by allowing businesses to deduct certain cleanup costs on environmentally contaminated lands. The Administration proposes to make permanent this tax incentive, which otherwise expires at the end of 2001.



Making the Endangered Species Act (ESA) Work: Administration reforms have increased the flexibility of the ESA, furthering its ability of the ESA to provide earlier protection for at-risk species so, with these earlier efforts, the species will not have to be listed as endangered at a later point. These reforms include voluntary conservation agreements (Candidate Conservation Agreements-CCAs) between the Fish and Wildlife Service and private or public parties to implement conservation measures and monitoring activities to prevent the need to add species to the Endangered Species list. In 1999, the Federal Government entered into 10 CCAs with private landowners or State and local governments that, together with other efforts, allowed seven species to be approved for removal from the Candidate list. In addition, early intervention processes implemented by the National Marine Fisheries Service to identify species before they become endangered and immediately implement protection strategies will effectively eliminate the need to list five threatened species.

The Administration also has supported the use of Habitat Conservation Plans (HCPs) to address potential conflicts between development and protection of listed species. HCPs give the private sector and State, local, and Tribal governments the flexibility to propose solutions that permit the protection of endangered species and conservation of habitat, while allowing for development. HCPs will cover an estimated 325 species by the end of 2000.

Improving Public Lands Management: Interior's Bureau of Land Management (BLM) has been reforming and improving grazing management to protect riparian and upland habitat by implementing regional and local standards and guidelines to establish the condition, health, and uses of lands it administers for grazing. The new standards and guidelines have been developed in concert with innovative consensus-building public Resource Advisory Councils. BLM will now begin a process of reviewing, renewing, updating, and improving its overall land use and resource management plans, many of which are over 20 years old.

Just as with the standards and guidelines development, this process will seek input from the public, including recreationists, ranchers, miners, timber companies, environmentalists, hikers, campers, anglers, State and community leaders, and experts in land management.

Environmental and Natural Resource Investments

The budget proposes to boost funding for high-priority environmental and natural resource programs by 11 percent, compared to 2000 levels (see Table 4–1).

Preserving Our Natural Heritage: As we enter a new century, our Nation continues to face new challenges to preserve the natural heritage, historic sites, and green spaces that Americans have come to treasure. The budget again proposes a Lands Legacy initiative, to protect natural treasures and historic places and provide the tools for States, localities, and Tribes to plan for smart growth (see Table 4–2). The initiative also provides funding for States and other entities to conserve important lands for recreation, open space, and wildlife habitat, plus preserve forests, farmland, and coastal areas.

The budget includes \$1.4 billion in discretionary funding for Lands Legacy (\$673 million over 2000), and proposes a new budget category to provide dedicated and protected funding for the programs included in the initiative. Funds not appropriated to programs within the proposed cap of \$1.4 billion will be unavailable to offset spending under other discretionary funding caps.

Lands Legacy comprises three components:

- The first component provides \$450 million for Federal land acquisition of precious natural and historic sites, including national parks, national forests, refuges, and environmentally sensitive lands throughout the Nation.
- The second component provides \$521 million targeted to State, local, and Tribal governments throughout the Nation for planning and for open space acquisition; habitat and wildlife conservation; and preservation of forest lands, urban and suburban parks and greenways, riparian areas, and wetlands. A new non-game

wildlife conservation grant program will be developed to help States promote and protect indigenous non-game wildlife through land acquisition, habitat conservation, and non-game recreation projects. A new open space planning program to support State, regional, and local planning for smart growth (which integrates open space conservation planning with other economic, transportation, and development planning) will be coordinated with similar activities being proposed under the Livable Communities Initiative. Also, while a continuing part of Lands Legacy, USDA's Farmland Protection Program will be proposed at \$65 million in mandatory funding within the Farm Conservation initiative. (For more information, see the Farm Safety Net discussion.)

- Land Legacy's third component directs \$429 million specifically to coastal and Great Lakes areas to protect their unique and fragile resources, which are faced with threats due to population growth, economic development, and pollution and other potential damage from both inland and outer continental shelf (OCS) oil and gas development. In addition to significant increases for existing Coastal Zone Management Act programs, the budget proposes new funding for grants directed to States having OCS oil and gas development off their shores. These special grants would be available for environmental monitoring, mitigation, and enhancement of coastal areas affected by existing OCS activity. Lands Legacy also includes funds to restore the Pacific northwest salmon, enhance the National Marine Sanctuaries and Estuarine Reserves systems, and expand coral restoration efforts.

Promoting Clean Energy at Home and Abroad: Both at home and abroad, there are urgent environmental needs and significant economic opportunities in accelerating the shift to clean and efficient energy technologies and practices. To this end, the budget proposes a new Clean Energy for the 21st Century initiative. The initiative provides a \$103 million increase over 2000 for new and expanded demonstration and export promotion measures to accelerate the development and deployment of clean energy technologies in developing coun-

Table 4-1. An 11-Percent Increase For High-Priority Environmental and Natural Resource Programs

(Budget authority, in millions of dollars)

	1993 Actual	1999 Actual	2000 Estimate	2001 Proposed	Change: 1993 to 2001	Change: 2000 to 2001
Lands Legacy Initiative (DOI, USDA, NOAA)	380	473	727	1,400	+1,020	+673
Farm Conservation Initiative (USDA) (mandatory) ¹	1,584	1,797	1,851	3,099	+1,515	+1,248
Clean Energy Initiative (DOE, USDA, AID, DOC, TDA, EX-IM)	251	286	294	490	239	196
Greening the Globe Initiative (AID, Treasury, USDA, DOI)	82	65	80	150	+68	+70
Great Lakes Initiative (EPA)	18	18	17	67	+49	+50
Climate Change Technology Initiative (DOE, EPA, USDA, HUD)		1,021	1,099	1,432	+1,432	+333
Clean Water Action Plan (EPA, USDA, DOI, NOAA, Corps)		1,871	1,998	2,426	+2,426	+428
Salmon Habitat Restoration (NOAA, Corps)		95	151	251	+251	+100
Endangered Species Act (DOI, NOAA)	75	129	152	170	+95	+18
Department of Transportation (DOT):						
Mass Transit	3,774	5,389	5,785	6,321	+2,547	+536
Congestion Mitigation and Air Quality (CMAQ)	601	1,408	1,509	1,557	+956	+48
Environmental Enhancements; Preservation Pilots	114	646	720	771	+657	+51
Subtotal, DOT (Select programs)	4,489	7,443	8,014	8,649	+4,160	+635
Department of the Interior (DOI):						
National Park Service Operating Program	984	1,286	1,364	1,454	+470	+90
Bureau of Land Management Operating Program	638	716	743	819	+181	+96
Fish and Wildlife Service Operating Program	531	660	703	762	+231	+59
Subtotal, DOI (Select programs)	2,153	2,662	2,810	3,035	+882	+225
Department of Agriculture (USDA):						
Forest Service Operating Program	1,319	1,595	1,668	1,790	+471	+122
Natural Resources Conservation Service Operating Program	577	641	661	747	+170	+86
Water/Wastewater Grants and Loans	508	645	631	648	+140	+17
Subtotal, USDA (Select programs)	2,404	2,881	2,960	3,185	+781	+225
Environmental Protection Agency (EPA):						
Operating Program	2,767	3,496	3,532	3,917	+1,150	+385
Clean Air Partnership Fund				85	+85	+85
Superfund Orphan Share (mandatory)				150	+150	+150
Subtotal, All EPA	6,923	7,589	7,563	7,407	+484	-156
Department of Energy (DOE):						
Energy Conservation and Efficiency (gross)	592	692	745	851	+259	+106
Solar and Renewable Energy R&D (net)	249	336	315	410	+161	+95
Federal Facilities Cleanup (Environmental Management Program)	6,396	5,843	5,878	6,318	-78	+440
Subtotal, DOE (Select programs)	7,237	6,871	6,938	7,579	+342	+641
Department of Defense (DOD):						
Cleanup	1,604	1,962	1,634	2,178	+574	+544
Environmental Compliance/Pollution Prevention/Conservation	2,227	2,434	2,337	2,139	-88	-198
Subtotal, DOD (Select programs)	3,831	4,396	3,971	4,317	+486	+346
National Oceanic and Atmospheric Administration (NOAA):						
Fisheries and Protected Species	232	350	396	431	+199	+35
Ocean and Coastal Management	121	178	188	314	+193	+126
Ocean and Atmospheric Research	202	287	301	303	+101	+2
Subtotal, NOAA (Select programs)	555	815	885	1,048	+493	+163
Partnership for a New Generation of Vehicles (DOE, DOC, NSF, EPA, DOT)		235	226	255	+255	+29
U.S. Global Change Research (NASA, DOE, NSF, DOC, USDA, others)	1,323	1,657	1,701	1,740	+417	+39
GLOBE—Global Environmental Education (NOAA, NASA, EPA, NSF) ..		10	11	13	+13	+2
Montreal Protocol (State/EPA)	25	45	40	49	+24	+9
Global Environment Facility (Treasury)		168	36	176	+176	+140
Multilateral and Bilateral Assistance (International Programs/AID) ..	329	278	279	301	-28	+22
Total ²	31,226	37,685	38,404	42,527	+11,301	+4,123

¹ Increase over 2001 authorized level is \$1.3 billion; includes funding for the Conservation Reserve Program (CRP).² Total includes mandatory spending and is adjusted to eliminate double counts.

tries. Energy use by developing countries is expected to double between 1990 and 2020, and quadruple by 2050, accounting for three-fourths or more of the increase in global en-

ergy use. Clean energy technologies can provide energy services in these countries efficiently and cost-effectively, with reduced emission of pollutants or greenhouse gases. U.S.

Table 4-2. A Doubling of the Lands Legacy Initiative

(Discretionary budget authority, in millions of dollars)

	1993 Actual	1999 Actual	2000 Estimate	2001 Proposed	Change: 1993 to 2001	Change: 2000 to 2001
Federal Land Acquisition:						
Federal Land Acquisition (DOI)	193	211	264	320	+127	+56
Federal Land Acquisition (FS/USDA)	62	78	95	130	+68	+35
Baca Ranch (NM) One-time Acquisition (FS/USDA)		40	61		NA	NA
Total, Federal Land Acquisition	255	329	420	450	+195	+30
DOI/USDA State Conservation Programs:						
LWCF State Conservation Grants (NPS/DOI)	28		40	150	+122	+110
State Non-Game Wildlife Grants (FWS/DOI)				100	+100	+100
Cooperative State Planning (USGS/DOI)				50	+50	+50
Cooperative Endangered Species Conservation Fund (FWS/DOI)	7	14	23	65	+58	+42
North American Wetland Conservation Fund (FWS/DOI) ..	9	15	15	30	+21	+15
Urban Parks and Recreation Recovery Grants (NPS/DOI) ..			2	20	+20	+18
Subtotal, DOI	44	29	80	415	+371	+335
Forest Legacy Program (FS/USDA)	10	7	30	60	+50	+30
Urban and Community Forestry (FS/USDA)	25	31	31	40	+15	+9
Smart Growth Partnership (FS/USDA)				6	+6	+6
Subtotal, USDA	35	38	61	106	+71	+45
Total, State Conservation Programs	79	67	141	521	+442	+380
NOAA/DOC Coastal Programs:						
National Marine Sanctuary Program	7	14	26	35	+28	+10
Coastal Zone Management Act (CZMA) Program	35	58	59	159	+123	+99
Coastal Impact Assistance Grants				100	+100	+100
Pacific Northwest Salmon Fund			58	100	+100	+42
National Estuarine Research Reserves System	3	4	12	20	+17	+8
Coral Restoration			6	15	+15	+9
Dredging and other NOAA Programs		2	5			-5
Total, Coastal Programs	46	78	165	429	+383	+263
Total, Lands Legacy Discretionary Funding	380	473	727	1,400	+1,020	+673

NA = Not applicable

¹In addition, while part of the overall Lands Legacy initiative, USDA's Farmland Protection Program will be funded in 2001 at \$65 million in mandatory funding within the Farm Conservation initiative. The 2000 request was \$50 million in discretionary funding; none was appropriated.

firms could capture a significant portion of the \$10 trillion worldwide market for energy supply technologies over the next 20 years. The budget also provides \$289 million (\$93 million over 2000) in discretionary spending in 2001 and \$976 million in tax incentives over five years to support Executive Order 13134 and to help meet the President's goal of tripling U.S. use of biobased products and bioenergy by reducing the cost of converting crops, trees, and biological wastes into fuels, electric power, chemicals, and consumer goods.

Addressing Global Climate Change Through Technology: The budget proposes \$1.6 billion for the third year of the Climate Change Technology Initiative (CCTI), which is designed to promote energy efficiency, develop

low-carbon energy sources, and reduce greenhouse gas emissions. Led by the Department of Energy (DOE) and EPA, the effort also includes USDA, the Department of Housing and Urban Development, and the National Institute of Standards and Technology. Of the amount proposed, \$1.4 billion is for R&D spending on energy efficiency and renewable energy technologies, and \$0.2 billion is for tax credits to stimulate use of energy efficient technologies in buildings, industrial processes, vehicles, and power generation.

Conserving Forests Around the Globe: The Greening the Globe initiative seeks to increase the conservation of tropical and other significant forests around the world. The budget includes an increase of \$70 million for this

initiative. The Agency for International Development will work with host countries and partners to expand the conservation of and improve the management of biologically significant areas. Environmental damage in developing countries is often driven by poverty and food insecurity. In an effort to address these causes of deforestation, the Treasury Department will work with developing countries to develop debt-for-nature swaps that will provide local currency resources to conserve globally-significant tropical forests. The Forest Service and the Fish and Wildlife Service will use their expertise to help developing countries conserve their forests through technical assistance and disaster coordination.

Restoring the Great Lakes: The Great Lakes are the largest system of fresh surface water on earth, and one of the Nation's most valuable natural resources. Although significant progress has been made, the Great Lakes still have serious pollution problems, particularly from toxic pollutants that have contaminated sediments. As a result of these toxic pollutants, advisories have been issued to not consume fish caught in many areas in the Great Lakes. The budget includes a \$50 million increase for new competitive grants to help restore polluted "areas of concern" in the Great Lakes, as defined in the bi-national Great Lakes Water Quality Agreement. These funds will be used to implement specific actions identified in restoration plans for each area of concern, including remediating contaminated sedi-

ments, controlling storm water pollution, and restoring wetlands.

Strengthening the Farm Safety Net Through Conservation: The Administration recognizes the importance of providing assistance to farmers and ranchers who practice environmentally sound land management, particularly when they are faced with financial hardship. The Administration's Farm Safety Net proposal includes the Farm Conservation Initiative, helping farmers and ranchers continue to protect the environment from agricultural pollution while providing them with economic help. The initiative will allow the USDA's Wetlands Reserve and Conservation Reserve Programs to enroll 250,000 annual acres and 40 million cumulative acres, respectively; fund the Farmland Protection Programs at \$65 million annually; provide \$50 million annually for the Wildlife Habitat Incentives Program; increase authorized annual funding for the Environmental Quality Incentives Program by \$125 million, to \$325 million; and, propose \$600 million in annual funding for a new Conservation Security Program. Through these programs, participants will receive cost-share assistance, technical assistance, and in many cases, annual payments for high-priority activities including wetlands restoration, farmland protection, and comprehensive nutrient management (see Table 4-3).

Table 4-3. \$1.3 Billion Increase for the Farm Conservation Initiative

(Mandatory budget authority, in millions of dollars)

	2000 Estimate	2001 Authorized Level	2001 Proposed	Change: Authorized Level to Proposed
Conservation Security Program			600	+600
Environmental Quality Incentives Program	174	200	325	+125
Wetlands Reserve Program	165	46	259	+213
Farmland Protection Program			65	+65
Wildlife Habitat Incentives Program			50	+50
Conservation Reserve Program (CRP) Continuous Sign-up Bonuses	10	13	138	+125
Conservation Technical Assistance	35		110	+110
Total, Farm Conservation Initiative¹	384	259	1,547	+1,288

¹This initiative would also increase cumulative CRP enrollment to 40 million acres, allowing an additional 1.2 million acres to sign up annually in 2001 through 2003. The first payments for these additional acres would be made in 2002.

Making America More Livable through Better America Bonds: As part of the Livable Communities initiative, the Administration is again proposing a new financing tool to preserve green space for future generations and provide attractive settings for economic development. The proposal would provide authority for State, local, and Tribal governments to issue \$2.15 billion in Better America Bonds in 2001 and \$10.8 billion over five years. Investors in these 15-year bonds will receive Federal tax credits in lieu of interest payments from State and local governments over the life of the bonds, thereby significantly reducing the cost to States and local governments of preserving green spaces. The estimated revenue loss to the Treasury is about \$0.7 billion over five years. Better America Bonds will be available to help State, local, and Tribal governments finance a range of environmental projects such as: enhancing green space (urban parks, suburban green spaces, farmland, forests, and wetlands); protecting water quality (including measures on publicly owned land to control runoff or erosion or to protect endangered species); and, cleaning up brownfields (environmental assessment and remediation of contaminated property).

Recovering Pacific Salmon: In June 1999, the United States and Canada signed the historic U.S.-Canada Pacific Salmon Agreement, providing for international cooperation, new and necessary fishing regimes, further science and research, and other projects designed to better understand the causes for decline of at-risk salmon species. These efforts are aimed at stemming the decline of the at-risk salmon species in the Pacific Northwest. The budget proposes a total of \$60 million, an increase of \$35 million, to implement this agreement in 2001.

In addition, the budget continues the Federal Government's broad interdepartmental Pacific Coastal Salmon Recovery Initiative to assist in the conservation and recovery of at-risk Pacific salmon runs in the western States of California, Oregon, Washington, and Alaska. In 2001, this initiative will be included as part of Lands Legacy and the new discretionary budget cap. The initiative responds to the proposed listings of these runs under the ESA by forming lasting partnerships with State, local, and Tribal efforts for saving

Pacific salmon and their important habitats. To finance this initiative, the budget proposes \$100 million, an increase of \$42 million over 2000, for the Pacific Coastal Salmon Recovery Fund to continue to help share the costs of State, Tribal, and local conservation initiatives in California, Oregon, Washington, and Alaska in recovering severely at-risk salmon.

These two efforts are in addition to ongoing Columbia and Snake River (Washington, Oregon, Idaho) salmon restoration activities, including \$91 million requested for the Army Corps of Engineers in 2001, a \$23 million increase over 2000.

Rewarding Early Pollution Reductions: The budget proposes \$85 million in 2001 for the new Clean Air Partnership Fund to finance projects that achieve innovative and early air pollution and greenhouse gas emission reductions. This fund will provide the opportunity for State, local, and Tribal governments to partner with other parties and the Federal Government to demonstrate the most creative ideas for cleaning the air. The goal of this program is to help implement environmental protection in a common sense, flexible, and cost-effective manner, encouraging the development of smart multi-pollutant strategies to reduce greenhouse gases, air toxics, soot, and smog to protect our climate and our health.

Implementing the Clean Water Action Plan (CWAP): To mark the 25th anniversary of the Clean Water Act, the President and Vice President announced the Clean Water Action Plan (CWAP) in February 1998. The CWAP focuses on three remaining challenges for restoring and protecting the Nation's waterways: preventing polluted runoff; protecting public health; and, ensuring community-based watershed management.

The budget provides \$2.4 billion in discretionary funding for the third year of this multi-agency initiative, a 21-percent increase over the 2000 level, as well as a \$151 million, or 87-percent, increase in mandatory funding for USDA's Environmental Quality Incentives Program, to help farmers prevent polluted runoff. An increase of \$45 million, or 39 percent, is provided to help States develop water pollution allocation plans (known as TMDLs), and an increase of \$50

million, or 25 percent, is provided to reduce polluted runoff through EPA State grant programs. The budget also includes increases for the Forest Service to better address water quality problems on Federal lands; the National Oceanic and Atmospheric Administration to help States and local communities protect their coasts from the pollution that leads to degradation; and, \$20 million for the Army Corps of Engineers to begin an initiative—Challenge 21—to restore riverine ecosystem functions while providing flood hazard mitigation for communities.

To support the joint State-Federal CALFED initiative addressing environmental and water management problems associated with the California Bay-Delta, the budget proposes \$60 million for the Bureau of Reclamation's Bay-Delta Program. In addition, the budget includes continued funding for a number of ongoing Federal activities that support CALFED's long-term goals.

Enhancing the Stewardship of National Treasures: The Administration continues to invest in national parks, wildlife refuges, national forests, and other public lands to ensure that future generations are afforded the opportunity to enjoy these national treasures. It will again work with Congress to target resources to high-priority projects that maintain and restore facilities in national parks, forests, refuges, and public lands. The budget also supports permanent authorization of the recreation fee demonstration program, which provides almost \$200 million annually in revenue for land management agencies to reinvest in visitor facilities and services. To provide for stewardship of newly acquired treasures, the Administration is studying ways to address transitional start-up cost requirements for newly acquired lands, such as stabilizing historic structures, cleaning up hazardous wastes, and inventorying newly acquired resources. This could help to ensure that the near-term costs for newly acquired lands do not divert funds needed for the long-term maintenance of existing facilities.

Funding the EPA Operating Program: The budget proposes \$3.9 billion, an 11-percent increase over 2000, for EPA's operating program, which includes most of EPA's research, regulatory, and enforcement programs, and

partnership grants with States and Tribes. The operating program, which has grown 42 percent during this Administration, represents the backbone of the Nation's efforts to protect public health and the environment through sound science, standard setting, enforcement, and other means, ensuring that our water is pure, our air clean, and our food safe.

Within the operating program, the budget fully funds the third year of EPA's part of the CCTI (\$227 million) and the CWAP (\$762 million). The budget also provides \$30 million for a major multi-year environmental initiative to better integrate and enable substantially greater use of EPA and State environmental data systems.

Financing Water Quality Infrastructure: The budget proposes \$825 million (\$5 million over 2000) in EPA capitalization grants for Drinking Water State Revolving Funds (SRFs), which make low-interest loans to help municipalities meet the requirements of the Safe Drinking Water Act Amendments. These funds will help ensure that Americans have a safe, clean drinking water supply—our first line of defense in protecting public health. Every State has now successfully established a Drinking Water SRF and begun disbursing loans to its communities.

The budget also proposes \$800 million in capitalization grants to Clean Water SRFs to help municipalities comply with the Clean Water Act, thus helping to reduce beach closures and to keep our waterways safe and clean. Those levels for the two SRFs will keep the programs on track toward achieving the Administration's goal of providing sufficient capital for the two SRFs to offer \$2.5 billion a year in financial assistance to municipalities over the long run. The Clean Water SRFs are on schedule for reaching that goal in 2005.

Accelerating Endangered Species Act Efforts: The budget proposes a 12-percent increase, an additional \$18 million, for a total of \$170 million, in Interior's Fish and Wildlife Service and Commerce's National Marine Fisheries Service, for the endangered species program. These funds will support the Administration's efforts to encourage private landowners to protect species, and recover salmon in the Pacific Northwest. The Endangered Spe-

cies program increases are designed to encourage cooperative partnerships between the Federal Government and States, localities, Tribes, and private parties to recover listed species and prevent the need to list more.

Supporting the Global Environment Facility (GEF): U.S. participation in the GEF is a cornerstone of our foreign policy on the environment. The GEF has become the world's leading institution in aiding developing countries in protecting the global environment by working to prevent global climate change, massive extinction of valuable species, and the collapse of the oceans' fish population. The \$176 million proposal for 2001 includes \$107.5 million for the 2001 contribution to the GEF's second four-year replenishment program, from 1999 to 2002, and \$68.5 million for contributions previously due. U.S. funding for this program is crucial if the United States hopes to continue influencing GEF's policies and lending strategies.

Expanding Federal Facilities Cleanup and Compliance: The Federal Government continues to address the huge challenge of cleaning up Federal facilities contaminated with radioactive or hazardous waste. DOE faces the most complex and costly problems from over 50 years of research, production, and testing of nuclear weapons and reactors, which resulted in thousands of areas of known contamination and buildings requiring decontamination and decommissioning. At the beginning of 1993, of the 113 DOE sites to be

cleaned up, only 23 were complete. By the end of 2001, an additional 51 DOE sites will have been cleaned up.

The budget proposes \$6.3 billion for DOE's Environmental Management program, including \$1.2 billion to clean up quickly and return excess Federal property to beneficial use in local communities. The budget also proposes \$515 million to continue to privatize waste remediation at such sites as the Hanford, Washington and Idaho facilities, for which DOE pays for the delivery of treated waste that meets approved specifications. Privatization will help speed cleanups, reduce health risks, and cut costs at these sites.

The Department of Defense (DOD), which operates one of America's most diverse environmental programs, is focusing its efforts on reducing relative risk at its active and closing installations. DOD is in the process of conducting restoration studies or cleanups at 678 military installations and over 2,000 formerly-used properties. Moreover, it has determined that over 16,000 sites require no further action. DOD also is making progress in its compliance and pollution prevention, conservation, and environmental technology programs. The budget proposes \$4.3 billion for all DOD environmental activities, an amount that reflects a commitment to consistent and wise stewardship of DOD lands. The Administration is committed to making all current and former DOD property safe and clean.

5. PROMOTING RESEARCH

We have to have a balanced research portfolio, because the research enterprise is increasingly interdependent. Advances in health care, for example, are often dependent on breakthroughs in other disciplines—such as the physics needed for medical imaging technology, or the computer science needed to develop more drugs more rapidly, or to continue the mapping of the human genome.

President Clinton
December 1999

Investments in scientific discovery and technological development—both public and private—have driven economic growth and improvements in the quality of life in America for as long as our Nation has existed. In the last 50 years, developments in science and technology have generated at least half of the Nation's productivity growth, creating millions of high-skill, high-wage jobs and leading to advances in the economy, national security, the environment, transportation, and medical care. Federal Government support for science and technology has helped put Americans on the moon, boosted agricultural productivity, harnessed the atom, devised more effective treatments for cancers, tracked weather patterns and earthquake faults, and deciphered the chemistry of life.

Because technological advances are key to progress and economic growth, in 1993 President Clinton took office committed to expanding investment in civilian research and development. The President's economic strategy relied upon the critical element of investing in people and proposed targeted investments to help the Nation compete in the global economy and improve our quality of life. In his first year, the President proposed and secured passage of a research tax credit to spur additional basic and applied research as well as significant investments to fund research and development (R&D) in a range of fields. In 1999, the President established the 21st Century Research Fund for America, relying upon a coordinated and balanced investment strategy to provide resources for basic research at the National Institutes

of Health (NIH), the National Science Foundation (NSF), and the Department of Energy (DOE) and a wide range of applied research activities in areas such as the environment, agriculture, energy, computers, communications, and transportation.

The Administration's support for R&D has been essential to the flow of innovative ideas, which have resulted in everything from the discovery of the first multi-planet system beyond our own, to unraveling human, plant, and microbial genomes, a critical step in understanding the function of genes and in turn, potentially treating and curing diseases now beyond the reach of medical science. Investments in science and technology can bring us breakthroughs in the areas of the environment, health, national security, and more, including, for example: fuel economies that are double those of today; radical new surgical techniques that will make procedures far less invasive; a strong defense that continually hones its technological edge; and, fundamental research that may provide answers to key basic questions—why cells age and die, how human beings learn and remember information, and whether there is life on other planets.

The interdependence of disciplines upon which today's and tomorrow's scientific breakthroughs rely means that the balanced allocation of resources is all the more important to research in the 21st Century. With this budget, the Administration builds significantly upon its ongoing strategy of balanced investments in science and technology as established in the 21st Century Research Fund. Today,

balance is often key to scientific discovery, it is increasingly true that scientific advances in a broad range of areas build upon each other, with developments in one field providing the building blocks for others, which in turn serve as the foundation for discoveries in still other areas. For example, breakthroughs in the field of health often stem from advances, or a combination of advances, in the fields of engineering, mathematics, and the physical sciences.

The Science and Technology Initiative: A Bold Course of Strategic Growth

The President’s new Science and Technology Initiative builds upon the Administration’s 21st Century Research Fund, a balanced set of investments in basic and applied research in areas throughout the Federal Government (see Chart 5–1). In addition to allocating resources in a balanced manner, the Research Fund serves as an effective tool to ensure that complementary disciplines

are funded consistent with a balanced portfolio of research activity.

The Science and Technology Initiative provides a \$2.9 billion, or seven-percent, increase over the 2000 Research Fund total. The goal of the initiative is to accelerate our scientific progress toward meeting long-term economic, medical, and national security needs. It supports major new investments in existing and new research areas. The initiative will sustain U.S. economic and scientific leadership through key investments across many fields of science and technology; increase investments in fundamental, long-term research; help maintain the balance between health care research and other scientific disciplines; emphasize university-based research; and increase support for strategic research priorities.

The Science and Technology Initiative puts special emphasis on high-priority, long-term basic research, including funding to support

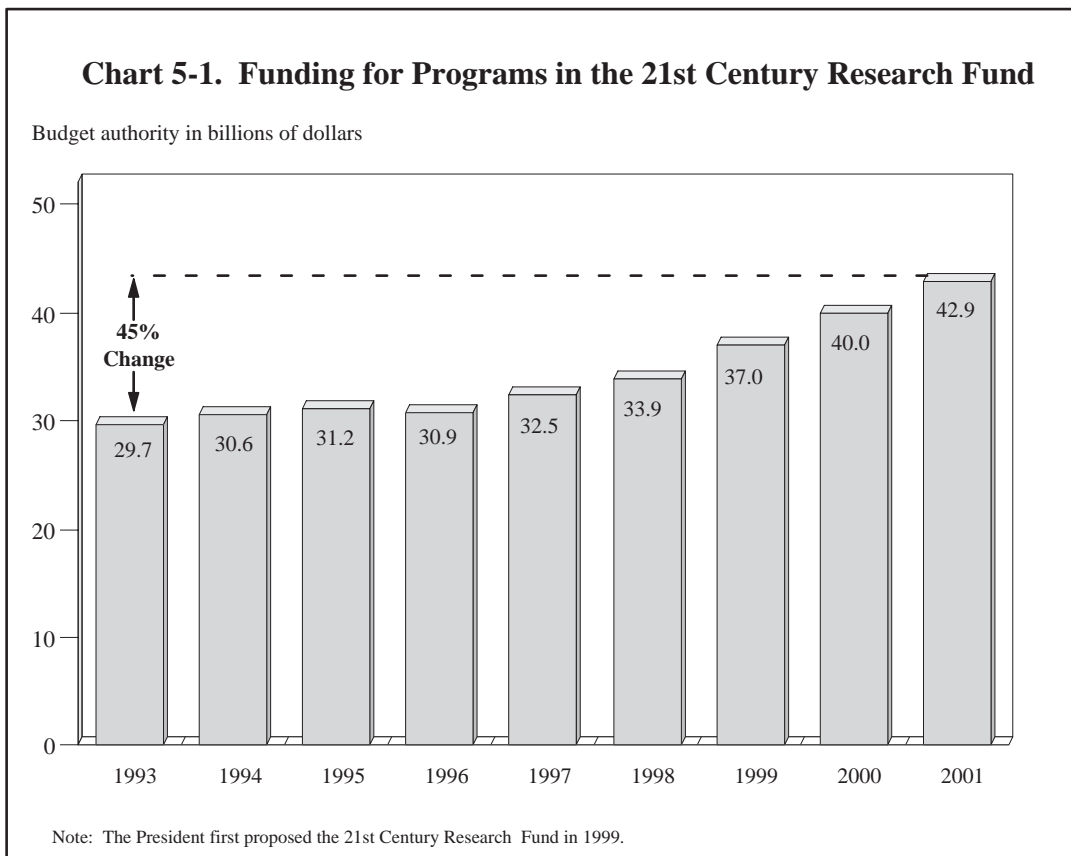


Table 5-1. 21st Century Research Fund
(Budget authority, dollar amounts in millions)

	1993 Actual	1999 Actual	2000 Estimate	2001 Proposed	Percent Change: 1993 to 2001	Percent Change: 2000 to 2001
Health and Human Services:						
National Institutes of Health	10,335	15,612	17,813	18,813	+82%	+6%
National Science Foundation						
	2,750	3,672	3,897	4,572	+66%	+17%
National Aeronautics and Space Administration (NASA):						
Space Science	1,770	2,119	2,193	2,399	.....	.....
Earth Science	996	1,414	1,443	1,406	.....	.....
Aerospace Technology	884	1,199	984	1,058	.....	.....
Life and Microgravity Sciences	408	264	275	302	.....	.....
NASA Total	4,058	4,996	4,895	5,165	+27%	+6%
Department of Energy (DOE):						
Science Programs	3,066	2,721	2,788	3,151	.....	.....
Solar and Renewable R&D	249	336	315	410	.....	.....
Energy Conservation R&D	346	526	577	660	.....	.....
DOE Total	3,661	3,583	3,680	4,221	+15%	+15%
Department of Defense (DOD):						
Basic Research	1,314	1,068	1,167	1,217	.....	.....
Applied Research	3,549	3,052	3,415	3,144	.....	.....
DOD Total	4,863	4,120	4,582	4,361	-10%	-5%
Department of Agriculture (USDA):						
CSREES Research and Education	433	486	487	469	.....	.....
Economic Research Service	59	54	53	55	.....	.....
Agricultural Research Service	661	794	830	894	.....	.....
Forest Service Research	183	197	203	231	.....	.....
USDA Total	1,336	1,531	1,573	1,649	+23%	+5%
Department of Commerce (DOC):						
Oceanic and Atmospheric Research	202	287	301	303	.....	.....
National Institutes of Standards and Technology ¹	364	540	534	559	.....	.....
DOC Total	566	827	835	862	+52%	+3%
Department of Transportation (DOT):						
Highway Research	221	468	490	715	.....	.....
Aviation Research	230	150	156	184	.....	.....
DOT Total	451	618	646	899	+99%	+39%
Department of the Interior: U.S. Geological Survey						
	750	797	813	895	+19%	+10%
Environmental Protection Agency (EPA):						
Office of Research and Development	517	562	561	531	.....	.....
Climate Change Technology programs .....	.....	109	103	227	.....	.....
EPA Total	517	671	664	758	+47%	+14%
Department of Education: Research programs						
	162	289	319	379	+134%	+19%
Department of Veterans Affairs: Medical Research						
	232	316	321	321	+38%	.....
21st Century Research Fund	29,681	37,032	40,038	42,895	+45%	+7%
Science and Technology Initiative .....	.....	.....	.....	2,857	.....	.....

¹ Does not include the Manufacturing Extension Partnership.

the development of nanotechnology, which is based upon the manipulation of matter at the atomic level that could result in new technologies as significant to our economy as was the development of the transistor and the Internet. For example, nanotechnology offers the promise that medical science may one day be able to perform surgery with minimally invasive techniques or detect cancerous tumors when they are only a few cells in size.

The initiative also funds the development of biobased products and bioenergy to develop new technologies for products to compete with transportation fuels and other products made from fossil energy resources. In addition, it provides significant funding increases for the ongoing Information Technology R&D program to supplement fundamental research and advanced supercomputing applications. The initiative also boosts many new initiatives and on-going programs, including biocomplexity and work force education at NSF, basic energy sciences at DOE, solar system exploration and space launch technology at the National Aeronautics and Space Administration (NASA), critical infrastructure protection at the Department of Defense (DOD), and the advanced technology program at the Department of Commerce (DOC).

In keeping with the Administration's emphasis on civilian R&D activities, the budget provides an increased share for civilian R&D investments, now 51 percent of the total and a substantial increase from 42 percent in 1993. (For total Federal R&D funding, see Table 5-2; for Science and Technology Initiatives highlights, see Table 5-3.) Many of the key features of the Science and Technology Initiative are described below.

Strengthening Basic Research and Balancing the Federal Research Portfolio: Over the last several years, private industry has expanded its support for research and development, but most of these efforts focus on bringing new products to market rather than funding the basic research that can lead to breakthrough applications in a wide range of fields. By supporting basic research that can provide the foundation for tomorrow's technologies, the Federal Government can act as a catalyst for these breakthroughs. Federal in-

vestment in basic research increased by nearly 45 percent from 1993 to 2000, with emphasis on health research. The budget proposes \$20.3 billion to advance a balanced portfolio in basic research, an increase of \$1.3 billion, or seven percent, over 2000.

This initiative builds upon recent gains for the NIH and furthers the President's commitment to sustained increases in NIH funding. It provides double the largest annual dollar increase ever for NSF, to increase support for Administration research priorities and university-based research. With this initiative, NIH will have grown 82 percent since 1993 and NSF by 66 percent. This initiative also provides an increase of \$363 million for DOE's science portfolio, providing a much needed increase for the physical sciences and the user facilities that serve the entire science community. NASA's space science program would increase \$206 million—nine percent for important basic research programs that probe the universe and explore nearby planets.

Strengthening University-Based Research: University-based basic research plays a special role in the development of scientific advances. The competitive grants process upon which university research relies fosters innovation and expands scientific frontiers. At the same time, these research grants provide a training ground for the next generation of scientists and engineers.

Funding support for universities, provided primarily through NSF, NIH, and DOD, has grown to roughly \$16.5 billion, a 42-percent increase, since 1993 (see Chart 5-2). The budget proposes \$17.8 billion for university-based research, an increase of \$1.3 billion over 2000. NSF represents nearly four percent of Federal R&D funding, but supports over 50 percent of the Federal non-health basic research conducted at colleges and universities. By significantly increasing the number and size of new awards available for non-health university researchers in 2001, the NSF budget also creates incentives to encourage promising students to pursue careers in science and technology.

Table 5-2. Research and Development Investments
(Budget authority, dollar amounts in millions)

	1993 Actual	1999 Actual	2000 Estimate	2001 Proposed	Percent Change: 1993 to 2001	Percent Change: 2000 to 2001
Funding by Agency:						
Defense	38,898	38,850	38,719	38,640	-1%	.....
Health and Human Services	10,472	15,797	18,063	18,998	+81%	+5%
National Aeronautics and Space Admin	8,873	9,715	9,753	10,035	+13%	+3%
Energy	6,896	6,992	7,091	7,655	+11%	+8%
National Science Foundation	2,012	2,702	2,903	3,464	+72%	+19%
Agriculture	1,467	1,645	1,773	1,825	+25%	+3%
Commerce	793	1,084	1,073	1,152	+45%	+7%
Transportation	613	786	585	731	+19%	+25%
Environmental Protection Agency	511	670	648	679	+33%	+5%
Veterans Affairs	253	644	655	655	+159%	.....
Interior	649	500	584	590	-9%	+1%
Education	200	205	233	271	+36%	+16%
Other	1,055	752	664	638	-40%	-4%
Total	72,692	80,342	82,744	85,333	+17%	+3%
Funding by R&D Type:						
Basic Research	13,362	17,468	19,027	20,328	+52%	+7%
Applied Research	13,608	15,915	17,193	18,026	+32%	+5%
Development	42,795	44,302	44,071	44,321	+4%	+1%
Equipment	¹	1,045	1,026	1,137	NA	+11%
Facilities	2,727	1,612	1,427	1,521	-3%	+7%
Total	72,492	80,342	82,744	85,333	+18%	+3%
Funding by Civilian Theme:						
Basic Research	11,951	16,340	17,808	19,054	+59%	+7%
Applied Research	9,130	11,551	12,405	13,274	+45%	+7%
Development	7,269	8,522	8,818	8,981	+24%	+2%
Equipment	¹	745	743	852	NA	+15%
Facilities	1,979	1,135	976	1,112	-1%	+14%
Subtotal	30,329	38,293	40,750	43,273	+43%	+6%
Funding by Defense Theme:						
Basic Research	1,411	1,128	1,219	1,274	-10%	+5%
Applied Research	4,478	4,364	4,788	4,752	+6%	-1%
Development	35,526	35,780	35,253	35,340	-1%	.....
Equipment	¹	300	283	285	NA	+1%
Facilities	748	477	451	409	-7%	-9%
Subtotal	42,163	42,049	41,994	42,060	.....	.....
Funding by R&D Share:						
Civilian	30,329	38,293	40,750	43,273	+43%	+6%
Defense	42,163	42,049	41,994	42,060	.....	.....
Total	72,492	80,342	82,744	85,333	+18%	+3%
Civilian (percent)	42%	48%	49%	51%	.....	.....
R&D Support to Universities	11,674	15,118	16,547	17,831	+53%	+8%
Merit (Peer) Reviewed R&D Programs	NA	23,812	26,021	28,157	NA	+8%

NA = Not Applicable

¹Equipment and facilities data were not collected separately in 1993.

Table 5-3. Science and Technology Initiative Highlights

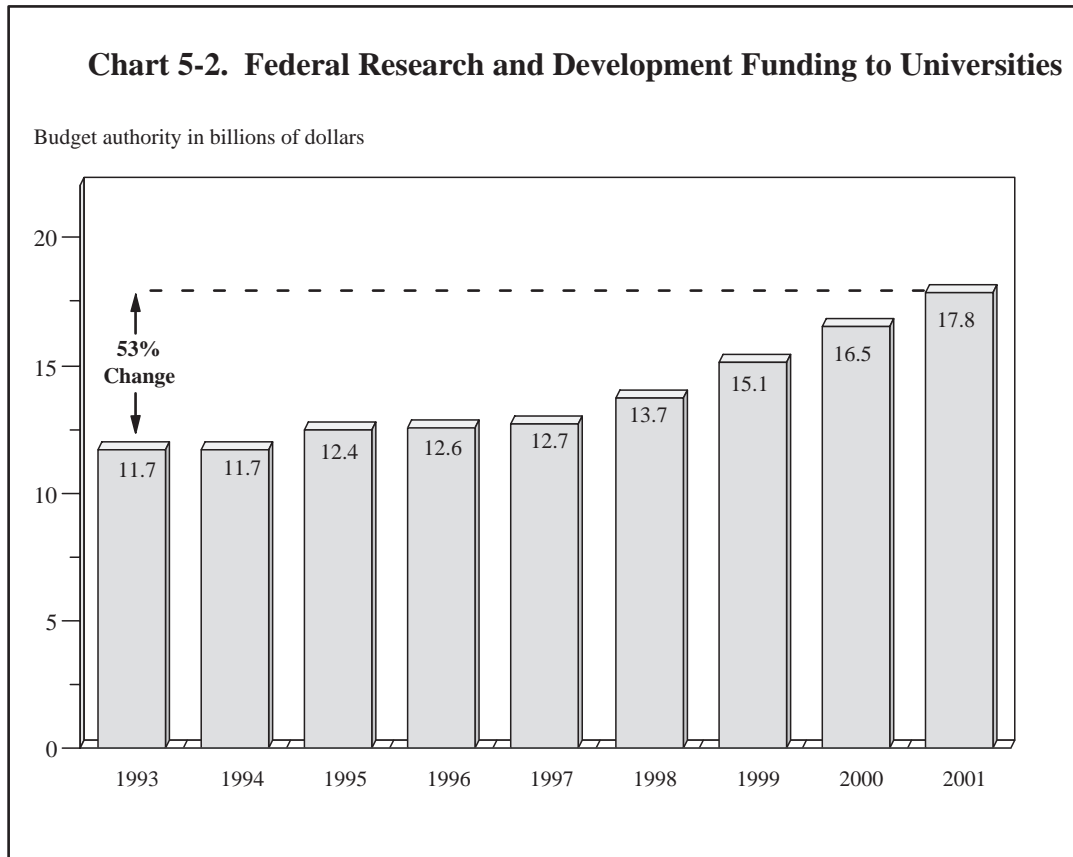
(Budget authority, dollar amounts in millions)

	1999 Actual	2000 Estimate	2001 Proposed	Dollar Change: 2000 to 2001	Percent Change: 2000 to 2001
National Science and Technology Council Initiatives:					
National Nanotechnology Initiative	247	270	495	+225	+83%
Information Technology R&D	1,301	1,721	2,315	+594	+35%
Information Technology Initiative (IT ²)		309	823	+514	+166%
Next Generation Internet	105	86	89	+3	+3%
Clean Energy: Biobased Products and Bioenergy	195	196	289	+93	+47%
Climate Change Technology Initiative	1,021	1,099	1,432	+333	+30%
Partnership for a New Generation of Vehicles	235	226	255	+29	+13%
Integrated Science for Ecosystem Challenges	630	657	747	+90	+14%
U.S. Global Change Research Program	1,657	1,701	1,740	+39	+2%
Interagency Education Research Initiative	30	38	50	+12	+32%
Critical Infrastructure Protection R&D	450	461	606	+145	+31%
Weapons of Mass Destruction Preparedness R&D	320	473	501	+28	+6%
National Science Foundation:					
Biocomplexity in the Environment	12	50	136	+86	+173%
Work Force in the 21st Century		72	155	+83	+115%
National Aeronautics and Space Administration:					
Space Launch Initiative	392	231	290	+59	+26%
Solar System Exploration	683	801	940	+139	+17%
Department of Energy:					
Spallation Neutron Source (SNS)	130	118	281	+163	+138%
National Scientific User Facilities (excluding SNS)	1,124	1,124	1,191	+67	+6%
Department of Commerce:					
Advanced Technology Program (New Awards)	40	51	65	+14	+27%
E-Commerce Research	7	7	11	+4	+57%
Department of Agriculture:					
Climate Change Programs	52	53	109	+56	+107%
National Research Initiative	119	119	150	+31	+26%
Department of Transportation:					
Intelligent Transportation System Initiative	177	184	338	+154	+84%
Highway Vehicle Crashworthiness	27	22	43	+21	+95%
R&D Support to Universities	15,118	16,547	17,831	+1,284	+8%

Promoting Major Multiagency Research Initiatives: The Science and Technology Initiative also supports multiagency investments, including two critical new activities: the National Nanotechnology Initiative and Biobased Products and Bioenergy, while significantly increasing funding for Information Technology and continuing support for other key areas.

Nanotechnology Research: The budget proposes a new multiagency National Nanotechnology Initiative at \$495 million—nearly doubling the level of effort in 2000. The initiative focuses on the manipulation of matter at the atomic and molecular level, allowing us an unprecedented chance to study new properties, processes, and phenomena

that matter exhibits at a scale between atoms and molecules and giving us an unprecedented ability to create new classes of devices as small as or smaller than a human cell. This research could lead to continued improvement in electronics/electro-optics for information technology; higher-performance, lower-maintenance materials for manufacturing, defense, space, and environmental applications; and, accelerated biotechnical applications in medicine, health care, and agriculture. Its application in medical science could lead to radical new surgical techniques that are far less invasive, and the detection of cancerous tumors when they are only a few cells in size.



Clean Energy—Biobased products and bioenergy: The budget proposes \$289 million—a \$93 million increase—for a new initiative established to meet the goal of tripling U.S. use of biobased products and bioenergy as stated by the President in Executive Order 13134 and Memorandum on Promoting Biobased Products and Bioenergy. The program provides funds for the research and development of technology that can produce feedstocks for chemical manufacturing, transportation fuels, and electricity that would compete with equivalent products made from fossil energy resources. It also funds advanced technology development for improving crop productivity and harvesting technologies to produce these raw plant materials from farm and forestry operations at an acceptably low cost. These new cash crops can boost farm incomes and add good jobs to rural economies while offsetting oil imports and reducing pollution and greenhouse gas emissions.

Information Technology (IT) R&D: The IT R&D program funds long-term research in computing, information, and communication that will result in the development of increasingly powerful high performance computing systems, global-scale networking technologies with advanced capabilities, advances in software development technologies and applications software, advances in managing and accessing vast distributed knowledge repositories, and advances in human interface technologies. Federal investments for these programs are critical to ensuring America's leadership in an industry that accounts for one third of our economic growth, creates high-tech, high-wage jobs, and improves our quality of life. The budget proposes \$2.3 billion for this program, which now formally merges the former High Performance Computing and Communications (HPCC) program (including the Next Generation Internet) with the Information Technology initiative (IT²). HPCC is a 10-year old program to research better

supercomputers and networks. IT², introduced in 2000, builds on the recommendations of the President's Information Technology Advisory Committee to significantly increase investments in long-term, fundamental research and advanced computing applications. The merged IT R&D program provides a \$594 million increase above 2000, to build on the fundamental research proposed in IT².

Climate Change Technology Initiative (CCTI): The budget proposes \$1.6 billion for the third year of this effort to promote energy efficiency, develop low-carbon energy sources, and demonstrate technologies to reduce greenhouse gas emissions. Of the amount proposed, \$1.4 billion is for R&D on energy efficiency and renewable energy technologies, carbon sequestration, extension of the useful life of existing nuclear plants, and development of highly efficient fossil fuel technologies. The remainder, \$0.2 billion, funds tax credits to stimulate the adoption of energy-efficient technologies in buildings, homes, industrial processes, vehicles, and power generation.

Partnership for a New Generation of Vehicles (PNGV): The budget proposes \$255 million—\$29 million more than in 2000. This cost-sharing partnership with industry aims to produce attractive, affordable vehicles capable of meeting all applicable emission and safety requirements while achieving a fuel economy up to three times higher than today's cars. Current priorities include development of highly efficient fuel cells and direct injection engines that meet stringent new air quality standards, efficient energy storage systems, power electronics, batteries, and lightweight materials.

Integrated Science for Ecosystem Challenges (ISEC): The budget proposes \$747 million—\$90 million more than in 2000—to support environmental research to improve our understanding of factors that result in ecosystem decline and biodiversity loss and to design more effective options to prevent further decline. In 2001, ISEC will address four priority areas: invasive species, biodiversity and species decline; harmful algal blooms, hypoxia and eutrophication; habitat conservation and ecosystem productivity; and information management, monitoring, and integrated assessments.

Fundamental Health Research: The budget reflects the Administration's continued focus on R&D to protect human health. (See Chapter 3 "Strengthening Health Care" for more detail.) It funds research programs at NIH that have made the United States the world's leader in medical research. It also supports the development of vaccines for diseases like AIDS, malaria, and tuberculosis, which kill more than seven million people each year, research on cancer and diabetes, efforts to reduce the demand for illicit drugs, a food safety initiative, and the fight against emerging infectious diseases. To implement the President's Directive on emerging infectious diseases, we have stepped up research, surveillance, and response by calling for a nearly 15-percent increase for the Centers for Disease Control and Prevention's emerging infections programs.

Weapons of Mass Destruction (WMD) Preparedness and Critical Infrastructure Protection R&D: The budget provides \$501 million, a \$28 million increase, for WMD preparedness R&D to enhance our efforts in preventing, detecting, and responding to the release of weapons of mass destruction, and to more effectively manage the health, environmental, and law enforcement consequences should such an incident ever occur. The budget also includes \$606 million, a \$145 million increase, for Critical Infrastructure Protection R&D to improve the safety and security of the Nation's Critical Infrastructure—the power, communications, information, transportation, and other systems on which our economy and quality of life depend. These funds will both increase Federal research and also establish the Institute for Information Infrastructure Protection to work collaboratively with industry, non-profit research institutions and academia on key information infrastructure protection technologies that private corporations would not otherwise address.

Education Technology and the Interagency Education Research Initiative: As part of the Administration's commitment to bridge the digital divide, the budget proposes \$903 million—\$137 million more than in 2000—for education technology, to ensure that America's classrooms are equipped with modern computers and connected to the Internet, that educational software is effectively inte-

grated in the curriculum, and that teachers are ready to use and teach with technology (see Chapter 9, “Strengthening the American Community”). This includes Next Generation Technology grants to develop education technology for the next century such as computer use of speech understanding to help every student learn to read, or interactive simulations that allow students to “learn by doing.” Federal R&D investments such as the Interagency Education Research Initiative (IERI)—a Department of Education, NSF, and NIH’s National Institute of Child Health and Human Development effort to support research to improve student learning and the development and promotion of the use of best practices in our schools. IERI is funded at \$50 million, a \$12 million increase above 2000.

U.S. Global Change Research Program (USGCRP): The budget proposes \$1.7 billion for the USGCRP in 2001. This program will expand our understanding of changes in the Earth’s environment, humanity’s influence upon global change, and the impact of change upon society and the environment. USGCRP provides useful information for making decisions on environmental issues such as climate and ecosystem change, ozone depletion, and land use planning. In 1999, the program increased attention on the role of vegetation in the processes by which carbon moves between the atmosphere, the oceans, and the land.

Investments at Federal Agencies

National Institutes of Health (NIH): The budget continues its commitment to biomedical research by providing an increase of \$1 billion over the 2000 level for NIH. This funding level will support research on diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, biomedical information and technology—including nanotechnology—and development of an AIDS vaccine. NIH’s highest priority continues to be investigator-initiated, peer-reviewed research project grants. In the last year, NIH-supported researchers, who are leading the international effort to sequence the human genome, achieved a scientific milestone by unraveling for the first time the genetic code of an entire human chromosome. This achievement is the first step in the genetic revolution which could profoundly alter

our approaches to preventing, treating, and curing disease.

National Science Foundation (NSF): The budget provides \$4.57 billion—17 percent more than in 2000—for NSF, whose broad mission is to promote science and engineering research and education across all fields and disciplines. In 1999, NSF-funded scientists reported the first complete DNA sequence of a plant chromosome, which will provide new information about chromosome structure, evolution, intracellular signaling and disease resistance in plants. The budget provides \$740 million for NSF’s lead role in IT R&D, focusing on long-term computer science research and providing scientists access to world-class supercomputers. The budget also provides \$217 million for the National Nanotechnology Initiative. The budget increases funding for biocomplexity research by \$86 million, or 173 percent, over 2000 to promote understanding of the complex biological, physical, chemical, and social interactions within and among the Earth’s ecosystems. The budget also increases funding for the agency’s 21st Century Work Force initiative by \$83 million or 115 percent over 2000, focusing on the science of learning and enhancing educational performance and broadening participation in the science, mathematics, engineering, and technology enterprise.

Department of Energy (DOE): The budget provides \$3.15 billion, a 13-percent increase over 2000, for DOE’s research programs in physics, chemistry, biology, materials, environmental, and computer sciences. The budget provides for the construction of new scientific facilities, including the Spallation Neutron Source and the Large Hadron Collider (in partnership with other countries), and an additional \$30 million to increase support for DOE’s National User Facilities. During this Administration, DOE-funded research has produced more than 5,000 new Ph.D. scientists. In 1995, researchers at Fermilab announced their discovery of the top quark, the last fundamental particle to be discovered. In the last seven years, 10 scientists have won Nobel Prizes in Chemistry or Physics for their DOE-supported research. In 2001, the budget will further strengthen the DOE research community by increasing support for research in materials science, the life sciences, and computational sciences, along with increased support

for the scientific user facilities that serve the entire community supported by the 21st Century Research Fund.

National Aeronautics and Space Administration (NASA): The budget provides \$14.0 billion for new and ongoing NASA activities, a three-percent increase over 2000. NASA's budget includes a 48-percent increase for space transportation, including \$290 million for a five-year, \$4.5 billion Space Launch Initiative to support a competition in 2005 that will enable NASA to more safely meet its human space flight needs at lower cost on commercial launch vehicles. This initiative fulfills a 1994 National Space Transportation Policy guideline calling for government and private sector decisions by the end of this decade on development of an operational, next-generation reusable launch system. The budget provides \$2.4 billion, a nine-percent increase over 2000, for Space Science. This includes \$940 million, a 17-percent increase, for enhanced solar system exploration, which supports revolutionary technologies and systems for a sustained presence at key research sites in our solar system that will greatly enhance the science return and resiliency of future missions. The budget also includes \$256 million for investments to help ensure continued safe Space Shuttle operations, a 37-percent increase over 2000. Finally, the budget supports a wide range of other investments, including: continued deployment of the International Space Station within cost guidelines, ongoing development of the first series of Earth Observing System satellites for Earth Science, and key Aero-Space Technology goals to improve aviation safety, air traffic congestion, and aircraft noise and emissions.

Department of Defense (DOD): The budget funds \$1.2 billion in basic research, \$3.1 billion in applied research, and \$3.2 billion in advanced technology development, providing options for new defense strategies and laying the groundwork for procuring next-generation defense systems. With its emphasis on the physical sciences, DOD's research and development investments are vital to the Nation's engineering, mathematics, and computer science efforts. The budget proposes \$116 million to conduct Advanced Concept Technology Demonstrations, which bring technology experts and military operators together early in tech-

nology system development to eliminate communication barriers, improve management of development programs, and address key warfighter challenges. The budget also supports a major role in Information Technology R&D, the Nanotechnology Initiative, counterproliferation R&D and protecting against 21st Century threats. Recent DOD technological accomplishments include two developments with life-saving potential: a hemostatic dressing developed for containing previously uncontrollable hemorrhages and a method to extend the shelf life of stored blood to 10 weeks.

Department of Agriculture (USDA): The budget provides \$894 million for the operating programs of the Agricultural Research Service, \$64 million more than in 2000, and \$55 million for the Economic Research Service, which together conduct a broad range of food, farm, and environmental research programs. The budget also provides \$469 million for grants for the research and education programs of the Cooperative State Research, Education, and Extension Service (CSREES), including \$150 million for the National Research Initiative (NRI), a 26-percent increase over the 2000 level. CSREES provides grants for agricultural, food, and environmental research, and for higher education. NRI competitive research grants improve the quality and increase the quantity of USDA's farm, food, and environmental research. The USDA budget includes increases for high-priority research in areas such as bioenergy and bioproduct human nutrition, food safety, climate change, air and water quality, food quality protection, agricultural genomes and genetics, sustainable ecosystems, carbon sequestration, and ISEC activities, including invasive species, emerging and exotic diseases, and the Forest Service's Forest and Rangeland Research program. Under the Agricultural Research Extension and Education Reform Act of 1998, \$120 million in mandatory funding also will be available in 2001.

Department of Commerce: In the National Institute of Standards and Technology (NIST), the budget provides \$176 million—a 23-percent increase over 2000—for NIST's Advanced Technology Program to promote rigorously competitive, cost-shared R&D partnerships that develop high-risk technologies promising

widespread economic benefits. The budget provides \$331—a 17-percent increase over 2000—for research at NIST’s Measurement and Standards Laboratories. The NIST labs work with industry to develop and apply technology, measurements and standards. In 1999, NIST built upon its previous breakthroughs in quantum physics and discovered a new type of matter by chilling atoms and manipulating them into a novel formation. This eventually may lead to a better understanding of superconductivity, resulting in new electronic devices and enormous reductions in the cost of producing and transmitting electricity. In 2001, NIST will conduct additional research on nanotechnology and information technology, and will support a new institute to develop technologies to protect our national information infrastructure protection. For the National Oceanic and Atmospheric Administration, the budget provides \$303 million for research to improve understanding of climate change, air quality, and stratospheric ozone depletion, as well as research to promote economic growth through efforts in marine biotechnology and environmental technologies.

Department of the Interior’s U.S. Geological Survey (USGS): The budget provides \$895 million—a 10-percent increase over 2000—for science that supports natural resource management and environmental decision-making. In 1999, USGS scientists developed effective techniques to control certain invasive species while reducing impacts to native species. The 2001 budget supports research and technical assistance on the needs of land managers and local land-use planners. USGS will use its mapping, remote sensing, and natural resources monitoring capabilities to develop new ways to analyze and improve the availability of natural hazard, earth science, and biological information. This information will promote local planning and conservation efforts to protect the most valuable open spaces and critical habitats. The USGS will also begin to operate the seventh Landsat Earth observing satellite launched in April 1999. The budget also continues to support research to enhance understanding of ecosystems, invasive species, and coral reefs. Work in 2001 contributes to the multi-agency ISEC initiative.

Environmental Protection Agency (EPA): The budget provides \$531 million, a five-percent decrease from 2000, which contained numerous one-time congressional earmarks, for EPA’s Office of Research and Development (ORD). ORD performs the majority of EPA’s research and provides a sound scientific and technical foundation for environmental policy and regulatory decision-making. The budget funds research in all environmental media, and includes funding for EPA’s participation (either by ORD or the Office of Air and Radiation) in crosscutting initiatives such as USGCRP, CCTI, PNGV, and ISEC, as well as funding for valuable research projects such as Environmental Technology Verification (ETV) and the Environmental Monitoring and Assessment Program (EMAP). Established by the Administration in 1995, the ETV program has verified 55 environmental technologies and 105 are currently in testing. In the last year, EMAP has verified annual declines in sulfate levels in the 1990s of up to six percent in the Nation’s streams and lakes as a result of environmental regulations to curb emissions that cause acid rain.

Department of Transportation: The budget proposes a total of \$715 million for the Highway Research and Deployment Initiative—a \$225 million increase over the 2000 level. These increases will address activities such as improving the technology for traffic operations and design, the durability of pavement and bridges, and reducing transportation crashes and incidents. The budget includes \$338 million for the Intelligent Transportation System (ITS) initiative—a package of technologies to enhance the safety and efficiency of surface transportation infrastructure. This ITS total includes an additional \$120 million for continued deployment of integrated “intelligent infrastructure,” such as interactive traffic signals, traveler information systems, and advanced electronic motor carrier toll clearance systems in urban and rural areas and the commercial vehicle industry. The budget also provides \$184 million for aviation research and development, a \$28 million increase over the 2000 level. These increases will address key aviation safety, air traffic congestion, aircraft noise, and emissions goals in the National R&D Plan for Aviation.

Department of Veterans Affairs' Medical

Research: The budget provides \$321 million—about a third of the Department's overall \$1 billion research program—for clinical, epidemiological, and behavioral studies across a broad spectrum of medical research disciplines. Among the agency's top research priorities are improving the translation of research results into patient care, geriatrics (including end-of-life care and Alzheimer's disease), and treatment of Parkinson's disease and Persian Gulf Veterans' illnesses.

Department of Education: The budget proposes a \$60 million increase above 2000 for Department of Education research programs, including a \$30 million increase for research, development, and dissemination activities

under the proposed National Institute for Education Research. This includes a \$10 million increase, for a total of \$20 million, for the agency's contribution to the third year of the IERI, a collaborative effort with NSF and the NIH's National Institute of Child Health and Human Development. This innovative initiative will continue to support large-scale research focused on identifying the best approaches to raising pre-K–12 student achievement and effectively applying the latest educational technologies. The proposed increase for education research will also support national research and development centers, field-initiated studies, ongoing research on comprehensive school reform models, and new research on the education of language-minority children.

6. ENFORCING THE LAW

Crime has been dropping, now, for seven straight years. This is the longest continuous decline in the crime rate ever recorded in our country. In part, that is because all of us, from the grass-roots to Washington, D.C., have intensified our support for common-sense strategies to fight crime and to prevent crime . . . [but] I doubt if there is . . . a person in our country who thinks the crime rate is low enough.

President Clinton
October 1999

When President Clinton took office in 1993, the violent crime rate in America had more than tripled during the previous three decades. Today, with the rate of violent crime continuing to fall each and every year since 1993, the President's crime-fighting program has made our streets safer and our communities stronger (see Chart 6-1). The Nation's overall crime rate is now at a 25-year low, the murder rate is its lowest in 31 years, and crime is down in every region of the Nation.

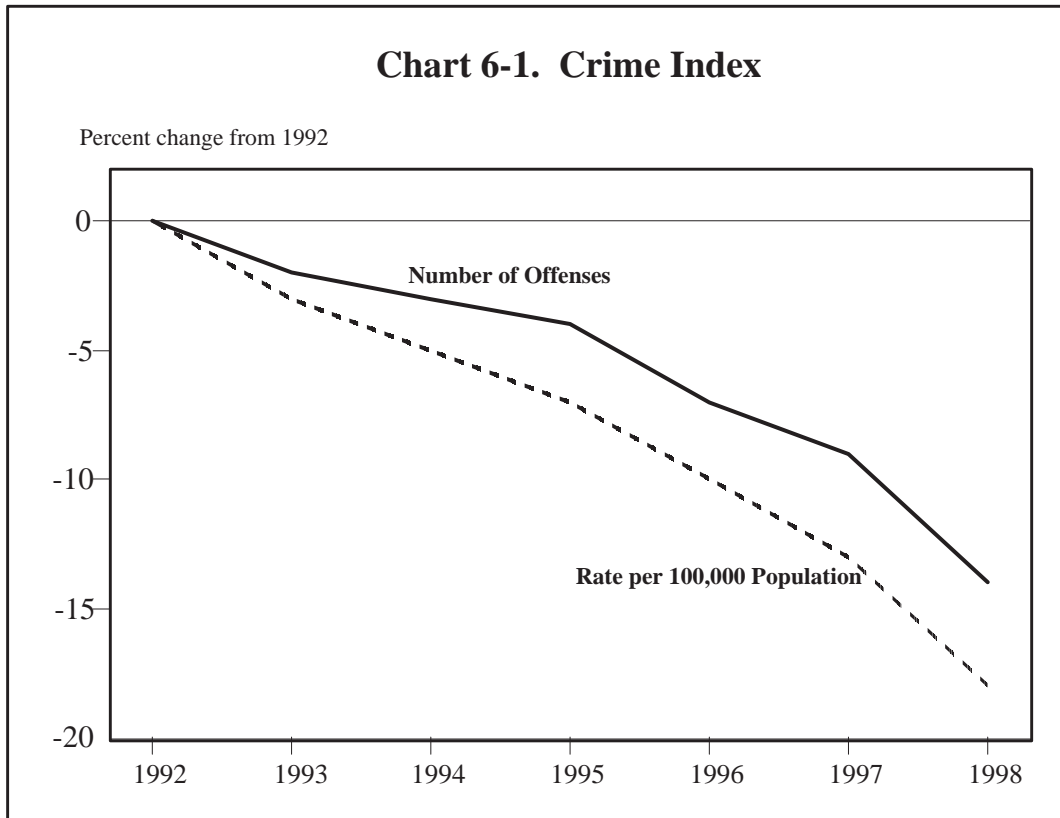
The President has described to leaders from the law enforcement community his clear-cut and effective anti-crime philosophy—"We think there ought to be more police and fewer guns on the street." Combined with stepped-up efforts to fight drugs, combat youth violence, and control illegal immigration, this multi-front fight against crime has significantly improved the lives of all Americans. By extending and expanding such efforts, as proposed in this budget, these anti-crime strategies can continue to make Americans safer and more secure for years to come.

The President's Community Oriented Policing Services (COPS) went into force at the start of his first term. An ambitious plan to add 100,000 police officers to local beats, the COPS program has increased resources for State and local law enforcement, expanded community policing to thousands of police departments Nation-wide, and brought stability and security to many crime-ridden neighborhoods. COPS has encouraged citizens to work closely with their local community police officers and with other criminal justice

authorities to fight and prevent crime. By 1999, COPS achieved the goal of funding 100,000 additional officers for our streets—ahead of schedule and under budget—helping to make communities safer.

Building on the success of the COPS program, the President proposed, fought for, and secured passage of the next step in his anti-crime strategy—the 21st Century Policing Initiative. This initiative, also known as COPS II, maintains the Administration's commitment to keep the number of officers on the beat at an all-time high by funding up to an additional 50,000 officers by 2005. It also builds on the COPS program in two key ways. First, it provides significant new funds to give law enforcement access to the latest crime-fighting and crime-solving technologies. Second, the initiative engages entire communities in the hard work of preventing and fighting crime by funding new community-based prosecutors and partnerships among law enforcement and probation and parole officers, school officials, and faith-based organizations.

In 1993, the Clinton Administration also began a sustained effort to reduce gun crime. The Administration proposed and secured passage of a series of new laws—the Brady Act, which created the National Instant Criminal Background Check System (NICS) to require background checks of all purchasers of firearms from federally-licensed dealers; reforms in the Federal firearms dealer licensing system to ensure that gun dealers comply with State and local laws and respond to crime gun trace requests; the assault weapons



ban and the ban on large capacity ammunition feeding devices to reduce access to lethal weapons primarily designed for battle; and, the Youth Handgun Safety Act, prohibiting juveniles under 18 from possessing handguns. These laws have been instrumental in dramatically reducing violent gun violence, which has declined by more than 35 percent in the past seven years. In the same time frame, the number of juvenile gun homicide offenders has dropped by 57 percent.

To strengthen enforcement of these laws and further expand the Administration's comprehensive efforts to combat gun violence in our society, the budget proposes the largest gun enforcement initiative in history: \$70 million for upgrades to State and local criminal history records to improve the speed and accuracy of Brady background checks; \$53 million for 500 new Bureau of Alcohol, Tobacco, and Firearms (ATF) agents and inspectors, and Nation-wide expansion of crime gun tracing and ballistics imaging systems; \$150 million for grants to hire 1,000 State and local gun prosecutors; \$10 million for

smart gun technology research; \$15 million for over 100 Department of Justice (DOJ) prosecutors and 20 enforcement coordination teams; \$10 million for local media campaigns on gun safety and gun violence; and, \$10 million to help law enforcement end the practice of re-selling used police firearms and seized guns on the civilian market. These additional resources will further the decline of gun crime by stepping up Federal, State, and local law enforcement efforts against armed criminals and those who traffic in firearms to criminals and juveniles.

While expanding resources to combat gun crime, the Administration will continue to urge Congress to pass common sense gun legislation to require background checks of prospective purchasers at gun shows, require child safety locks for handguns, ban the importation of large capacity ammunition magazines, and provide tougher penalties against gun traffickers and gun dealers who target and do business with those who are ineligible, including juveniles.

The Clinton Administration's Anti-Crime Strategy

Expanded local policing and fewer guns on the street are the cornerstone of the Administration's three-part strategy to make Americans safer and more secure for years to come:

- putting more police on the street and promoting community policing while taking measures to deter violent offenders and gun violence;
- controlling illegal immigration into the United States, including organized smuggling of aliens and other accompanying illegal activities, through reliance on stepped-up border enforcement and the use of technology; and,
- fighting drug abuse on all fronts, especially among children, by vigorously enforcing the Nation's drug laws and developing prevention programs which give children an alternative to crime and drugs and a chance for a positive future.

Fighting Crime

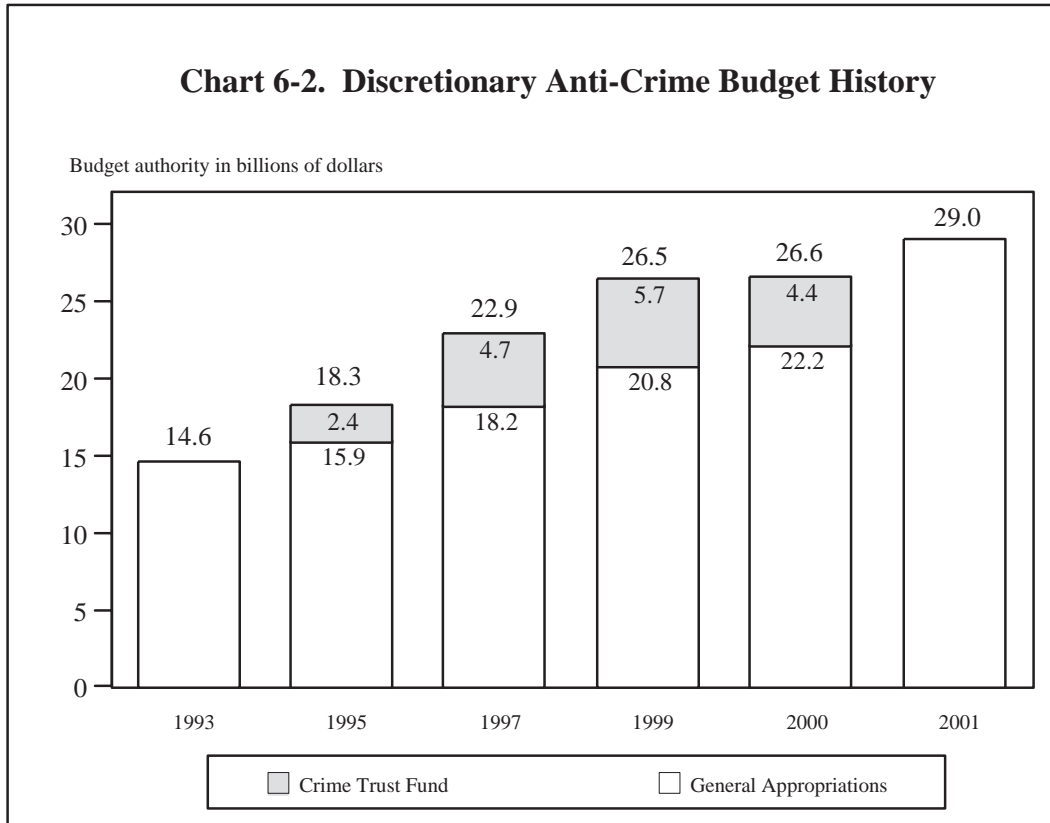
The budget proposes \$29.0 billion to control crime, \$2.4 billion—or 8.8 percent—more than enacted for 2000 (see Chart 6–2). While enhancing Federal anti-crime efforts, the budget seeks to empower States and communities, which play the central role in controlling crime, particularly violent crime.

21st Century Policing Initiative: The budget includes \$1.3 billion for this initiative, \$422 million more than was provided in 2000. This initiative includes:

- *More police on the streets:* \$650 million will be used to hire and redeploy more law enforcement officers, with an effort to target new police officers to crime “hot spots.” In addition to the 100,000 police officers already funded by the COPS program, this will place up to 50,000 officers on the street by 2005. A portion of the funds will also be used to help economically distressed communities retain new police hires, and for other programs to recruit, train, and educate law enforcement officers.
- *Crime fighting technology:* \$350 million will be used to help State and local law enforcement agencies improve police communication systems, crime mapping, forensic laboratories, and other operations. In particular, this funding, together with efforts at the Treasury and Justice Departments, will ensure that the Nation's public safety workers can communicate with each other securely, swiftly and effectively.

- *Over 1,000 new Federal, State, and local gun prosecutors:* \$200 million will be used for State and local prosecutors, including \$150 million for prosecutors, and \$50 million for community-based prosecutors dedicated to local crime problems and quality of life issues. This will fund 1,000 new State and local prosecutors to combat gun crime and violence, over 100 new Federal gun prosecutors, and new gun enforcement teams to coordinate efforts with local law enforcement to put gun criminals behind bars.
- *Community crime prevention:* \$135 million will be used for community-based crime prevention programs. These funds will be used to form partnerships with probation and parole officers in supervising released offenders, local school officials in adopting community-wide crime prevention plans, and faith-based organizations to address youth crime problems. Funds also will be used to promote police integrity and hate crimes training and to establish citizens' academies that teach neighborhood residents problem-solving skills.

Firearms Enforcement: When the President took office seven years ago, he put into place a comprehensive strategy focused on keeping guns out of the wrong hands and deterring and incarcerating gun criminals. The Brady Act has prevented more than 472,000 felons, fugitives, and stalkers from purchasing firearms while prosecutions of gun criminals are up and gun crime has dropped by more than 35 percent. However, despite this progress, far too many Americans, especially



children, lose their lives as a result of gunfire. The budget will build on the Administration's efforts to reduce gun violence with the largest national gun enforcement initiative in history.

- *500 new ATF agents and inspectors:* The budget funds the largest increase ever in ATF agents and inspectors, including 300 new agents to support local enforcement efforts throughout the country in making cases against armed criminals and against illegal firearms traffickers at gun shows, gun stores, and on the streets, and 200 new inspectors to target gun manufacturers, distributors, and dealers who supply firearms to criminals and juveniles.
- *Comprehensive crime gun tracing:* To move toward tracing every crime gun in America, the budget proposes funds to provide 250 local law enforcement agencies with training and software to facilitate comprehensive tracing, and to expand the Administration's Youth Crime Gun Interdiction Initiative from 38 to 50 cities across the country.
- *New National Integrated Ballistics Information Network:* The Administration proposes to triple current funding for ballistics testing programs to launch the first national ballistics network. This initiative will support the deployment of 150 new ballistics imaging units to law enforcement to trace bullets and shell casings to the criminals who fired them.
- *Local anti-gun violence media campaigns:* The budget provides \$10 million in matching grants from DOJ to support local media campaigns highlighting penalties for breaking gun laws, proper storage of firearms, and preventing child access to guns.
- *Strengthened Brady background checks:* The budget provides \$70 million, double the current funding level, to improve State criminal history records and improve the speed and accuracy of Brady background checks. In addition, \$5 million will fund a National Instant Notification system to help police apprehend criminals attempt-

ing to illegally purchase firearms in those States not acting as a point of contact for NICS.

- *Smart gun technology:* The budget proposes \$10 million for expansion, testing, and replication of “smart” gun technologies. These state-of-the-art gun safety precautions can limit a gun’s use to its owner or other authorized users—preventing gun deaths and injuries.
- *Keeping used police guns out of the hands of criminals:* To end the resale of used police guns and seized firearms, \$10 million is provided for one-time grants to law enforcement agencies on the condition that they halt such practices.

Youth Violence: A total of \$8.9 billion is included in the budget for Government-wide programs to address youth violence. One example of this cross-agency effort is the Safe Schools/Health Students program, which brings together the Justice, Education, and Labor Departments to create collaborative solutions to youth violence. Also included in this effort is \$289 million for DOJ programs to fight juvenile crime, including support for local community prevention programs such as mentoring, truancy prevention, and gang intervention.

Safe Streets Task Forces: The budget proposes \$128 million to continue the Safe Streets program, which blends the efforts of the FBI and other Federal law enforcement agencies with those of State and local police departments to investigate street crime and violence. A complementary initiative, the Weed and Seed Program, provides \$42 million for multi-agency efforts to “weed out” crime from targeted neighborhoods, then “seed” the sites with a wide range of crime and drug prevention programs.

Community Supervision of Released Offenders—Project Reentry: The budget proposes a new \$60 million community supervision initiative to address community safety concerns, lower recidivism rates, and promote responsible fatherhood for the nearly 500,000 inmates who will leave prison or jail this year and reenter local communities. The need for greater supervision is significant: two-thirds of all prisoners are arrested for new offenses

within three years of release. The initiative is comprised of reentry partnerships and reentry courts. Reentry partnerships will team up police and corrections agencies with local service providers and non-profit groups (including faith-based, victims, and fatherhood groups) to regularly monitor released offenders. Grants will fund partnerships to help hire additional corrections staff to supervise offenders and impose graduated sanctions, target resources such as drug testing and treatment and job training, and require responsibility for child support and other obligations. Reentry courts will employ the drug court model of judicial supervision to oversee offenders on conditional release—with regular court appearances, graduated sanctions to establish accountability, and targeted services such as drug testing and treatment. The initiative will be complemented by job training grants from the Department of Labor’s Responsible Reintegration for Young Offenders initiative, and targeted substance abuse and mental health grants from HHS.

Crime in Public Housing: The budget proposes \$345 million to support anti-crime, anti-drug, gun safety, and violence reduction programs in public housing, including Operation Safe Home and a new \$3.0 million Community Gun Safety and Violence Reduction initiative. The Department of Housing and Urban Development’s Office of Public Housing and Office of the Inspector General jointly administer Operation Safe Home, which brings together residents, managers, and various Federal and local law enforcement agencies to rid public housing communities of crime. The Community Gun Safety and Violence Reduction initiative will support gun violence reduction programs to complement existing community safety programs and will fund state-of-the art computerized gun-violence tracking and gun-tracing efforts to assist communities and law enforcement agencies in planning gun-violence reduction efforts.

Violence Against Women: Violence against women is a continuing problem. Nearly a third of all women murdered in the United States are killed by a current or former spouse or intimate partner. Studies show that child abuse occurs in 30 to 60 percent of domestic violence cases involving families with children. Studies also show that law enforcement inter-

vention often breaks the cycle of domestic violence, preventing subsequent incidents. The budget proposes a record high \$516 million to maintain efforts to combat gender-based crime, \$33 million more than 2000. These funds are used to support grants to develop and strengthen the criminal justice system's response to violence against women and to support and enhance services for victims, to fund the National Domestic Violence hotline, to fund battered women's shelters, and to expand outreach to under-served rural, Indian, and minority populations.

Hate Crimes: The President has urged Congress to pass the Hate Crimes Prevention Act, which would strengthen the existing Federal hate crimes law by expanding the situations in which DOJ can prosecute defendants for violent crimes based on race, color, religion, or national origin. Further, it would expand existing law to cover cases of hate crimes based on sexual orientation, gender, or disability. The budget includes \$20 million for training for Federal, State, and local law enforcement to prevent and respond to hate crimes and police integrity.

Law Enforcement on Indian Lands: Homicide and violent crime rates on Indian lands are rising, even as crime rates in the rest of the country fall. According to DOJ, American Indians are the victims of violent crimes at more than twice the rate of all U.S. residents. The Administration proposes \$439 million for the third year of this joint Justice and Interior Departments initiative, an increase of \$103 million over the 2000 level. The money is used to increase the number of fully trained and equipped police officers in Indian country, improve the quality of the criminal justice system, including courts and detention facilities, enhance substance abuse programs, and combat tribal youth crime.

State Criminal Alien Assistance: The budget proposes \$600 million to reimburse State and local governments for the cost of incarcerating criminal illegal aliens. This is a \$15 million increase over the 2000 level.

Financial Crime: The budget provides a \$15 million increase to the Treasury Department to develop and implement initiatives as part of the national strategy for combating money laundering and financial crime. This

strategy relies on the efforts of a number of Treasury Department bureaus, including the U.S. Customs Service and the Internal Revenue Service, which identify, disrupt, and dismantle criminal organizations that launder the proceeds generated by smuggling, trade fraud, export violations, and a range of other illegal activities. In addition, the Financial Crimes Enforcement Network provides money laundering case support through its regulatory partnerships and technology enhancements that allow for strategic analysis of trends and patterns in money laundering and related financial crimes.

Terrorism: Acts of domestic terrorism have resulted in deaths and injuries to American citizens, while terrorism overseas has taken an even heavier toll. While it is true that our Nation has had fewer incidents of domestic terrorism than many others, we must remain vigilant against terrorist threats on domestic soil and overseas.

Over the past years, the Administration has consistently sought additional resources to enhance the safety of the public and the Government from these violent and devastating criminal acts. The budget provides over \$11 billion to combat terrorism, weapons of mass destruction, and cyber crime, \$1.3 billion more than provided in 2000. Of the total, \$632 million would support law enforcement activities in the Departments of Justice and the Treasury and other domestic agencies. Chapter 9, "Supporting the World's Strongest Military Force," describes the Federal Government's efforts to combat terrorism and protect our national security.

Federal Crime Fighting Technology: The budget includes major increases for two technology programs that will significantly enhance the capabilities of Federal law enforcement. Court-authorized wiretaps are a major investigative tool of Federal law enforcement. However, as the telecommunications industry converts from an analog to digital environment, the ability of law enforcement to use this tool is diminished unless the digital equipment contains certain features. The Communications Assistance for Law Enforcement Act of 1994 authorizes the Federal Government to reimburse telecommunications manufacturers and carriers for the costs of "retrofitting"

equipment installed before January 1, 1995, in order that court-authorized wiretaps can be conducted. Funding for this purpose would be increased from \$15 million in 2000 to \$240 million in 2001. Manufacturers and carriers are responsible for including the necessary features in telecommunications equipment installed after January 1, 1995.

In addition, the budget proposes increases to support upgrades in Federal wireless communications systems, including improved efficiency in the use of telecommunications spectrum assigned to law enforcement and promoting compatibility with communications equipment of public safety agencies at all levels of government. DOJ's budget for wireless systems would increase from \$103 million to \$205 million, which would support radio systems for the FBI, the Drug Enforcement Administration (DEA), the Immigration and Naturalization Service (INS), and the U.S. Marshals Service. DOJ's planning and infrastructure efforts also would support other agencies' wireless efforts. Treasury's budget includes \$55 million to establish an Integrated Treasury Network for wireless communications, which would primarily support Treasury's law enforcement bureaus, including the U.S. Customs Service, the U.S. Secret Service, and the ATF. Increased costs in Justice, Treasury, and other agencies would be offset by \$200 million in proposed fees on commercial television broadcasters' use of the analog spectrum.

Corrections: The number of inmates in the Federal Prison System has more than doubled since 1990 as a result of tougher sentencing guidelines, the abolition of parole, minimum mandatory sentences, and significant increases in Federal law enforcement spending. This growth rate is projected to continue into the 21st Century. The budget provides \$4.4 billion for the Federal Bureau of Prisons, \$736 million over the 2000 level, to reduce the current level of overcrowding and to accommodate this future growth. The budget also supports an effort to increase inmate enrollment in literacy programs.

Meeting the Challenges of Immigration

The United States is a Nation of immigrants. While we have always welcomed legal immigrants, the United States is also a Nation of laws and must act to combat illegal immigration. This Administration has done more to control illegal immigration than any before. Working through the INS, the Administration has reversed decades of neglect along the Southwest border and has added technology along the Northern border. Since 1993, this strategy has added over 5,400 new Border Patrol agents—over 130 percent higher than the 1993 level. And while the INS continues to recruit and train qualified new Border Patrol agents aggressively, it is also extending its enforcement efforts through the use of state-of-the-art technology, border barriers, and infrastructure to enhance the rule of law along the border. However, we must do more. The budget continues to fund this bipartisan effort to gain control and effectively manage our Nation's borders. (See Table 6-1 for INS funding by program.)

While the Federal Government takes steps to curb illegal immigration, it must also be responsive to those who seek to immigrate to this country by legal means, and to those who have emigrated and now seek to become U.S. citizens.

Over the past year, the Administration has made steady progress in reforming the naturalization process which, since 1995, has seen a dramatic upsurge in demand for naturalization and other immigration benefits. After two years of a growing application backlog and longer wait times, in 1999, the first year of a two-year naturalization program reform effort, INS reduced the pending application backlog by nearly 500,000 applications. In total, INS completed over 1.2 million applications for new citizens and reduced the average application processing times from 27 months in 1998 to 12 months in 1999. INS intends to reduce average processing times further, to just six months, by the end of 2000. This will be accomplished while completing 1.3 million applications for citizenship. The Administration is committed

**Table 6-1. Immigration and Naturalization Service
Funding by Program**

(Budget authority, in millions of dollars)

	1993 Actual	2000 Estimate	2001 Proposed	Dollar Change: 1993 to 2001	Dollar Change: 2000 to 2001
Appropriated Funds:					
Border Patrol	354	1,055	1,208	+854	+153
Investigations and intelligence	142	308	328	+186	+20
Land border inspections	83	182	218	+135	+36
Immigration support		124	35	+35	-89
Detention and deportation	161	728	828	+667	+100
Program support and construction	227	594	649	+422	+55
Subtotal, Appropriated Funds	967	2,991	3,266	+2,299	+275
Fee Collections and Reimbursements:					
Citizenship and benefits	308	754	807	+499	+53
Detention and deportation		69	110	+110	+41
Air/sea inspections and support	255	487	529	+274	+42
Immigration support/enforcement			98	+98	+98
Subtotal, Fee Collections and Reimbursements	563	1,310	1,544	+981	+234
Total, Immigration and Naturalization Service	1,530	4,301	4,810	+3,280	+509

to a streamlined naturalization program that provides high quality and timely customer service for the most important and valuable benefit the Federal Government can bestow—citizenship. In addition, the INS has established completion goals and developed a multi-year plan to address application backlogs in other immigration services programs. The budget provides additional funds to reduce these backlogs and expand process reinvention to ensure that all immigration benefits and services are provided in an efficient and timely manner.

Border Control and Enforcement: The budget proposes support for a combination of Border Patrol agents and technology to control specific border crossing areas. Previous investments have led to successful efforts to control and manage the border near urban areas with a high level of illegal entry, such as San Diego, California, and El Paso, Texas. Continuing this border control strategy, the budget funds 430 new Border Patrol agents and \$20 million in

“force-multiplying” technology. The current focus is to gain control of the border around Douglas, Arizona. Once an acceptable level of control has been achieved here, the agents and technology proposed in the budget will be used to improve Border Patrol control over border areas in and around Laredo, McAllen, and Del Rio, Texas. With the new agents to be added by the end of 2001, it is estimated that over 9,800 Border Patrol agents will be deployed along the Nation’s Northern and Southern borders—nearly 150 percent more than the 3,965 agents in 1993. An additional \$20 million will fund high resolution color and infrared cameras and state-of-the-art command centers as force multipliers to supplement the new agents and provide continuous monitoring of the border from remote sites. In test locations in Arizona and New Mexico, this technology has had a dramatic effect on border control and management and is increasing the safety of officers who must respond to incursions. The proposed combination of surveillance technology and

Border Patrol agents will permit INS to enforce the rule of law and enhance border management over larger portions of the border. The budget also supports the INS border safety initiative to dissuade migrants from illegal crossings, particularly in areas that could lead to their injury or death.

The budget provides funds for compensation and overtime reform for Border Patrol agents and inspectors. It also provides funds to expand, renovate, and construct Border Patrol stations, border barriers and fencing, install permanent lighting, and construct support roads along the borders. These deterrents help control the border by increasing the abilities of Border Patrol agents to apprehend those trying to enter illegally. Since 1993, INS has added over 233 night scopes, 7,299 ground sensors, 82 miles of fencing, and 22 miles of border lighting. It has also added or improved over 1,500 miles of roads. The budget provides funds for another 18 miles of border lighting and fencing, and for maintaining border deterrents now in place.

Detention and Removal of Illegal Aliens:

The Administration is committed to removing those who have entered the country illegally and to detain criminal aliens. Since 1993, INS' detention budget has increased by over 407 percent and over 13,600 detention beds have been added. The budget expands on this commitment by adding another 1,000 detention beds and 38 juvenile beds—bringing total INS detention capacity to nearly 20,000 beds. It also funds INS detention and deportation staff and increases resources to remove criminal and illegal aliens swiftly. With the resources provided over the past few years, INS has targeted its efforts primarily on removing deportable aliens held in Federal, State, and local facilities to ensure these criminal aliens are not allowed back on the street. In 1999, INS removed 178,168 aliens, including 62,838 criminal aliens. At the same time, the budget provides funding to implement detention standards to ensure those detained, particularly those who have pending asylum cases, are treated fairly.

Border and Port-of-Entry Coordination:

The Departments of Justice and Treasury have initiated a five-year Border Coordination Ini-

tiative with a goal of achieving a comprehensive, integrated border management strategy that provides for increased cooperative efforts to interdict illegal aliens, drugs, and other contraband. It will result in a seamless process of travel and trade facilitation and border enforcement at and between the land ports of entry, especially along the Southwest Border. During the past year, the Customs Service and INS have made strides in fostering a culture of cooperation that enables them to act in concert for improved results. These cooperative efforts include expansion of multi-agency intelligence units to coordinate intelligence gathering and dissemination among agencies and the establishment of a timetable to implement compatible and secure communications systems.

Citizenship and Benefits: The Administration is committed to building and maintaining a naturalization and immigration service system that ensures integrity and provides service and benefits in a timely manner. The surge of citizenship applications, growing from approximately 340,000 in 1993 to a peak of nearly 1.6 million in 1997, resulted in an unacceptable backlog and has required the INS to redesign its decentralized process which had been built for a far smaller application volume. The record number of applications, antiquated INS processes, and complex automation and redesign efforts contributed to an unacceptable citizenship application backlog that exceeded 1.8 million cases in 1999. As a result of a concerted and ongoing effort, this backlog has since been significantly reduced.

Over the past two years, the Administration, working with Congress, has provided \$300 million to supplement INS examinations fee revenue in a successful effort to reduce naturalization backlogs and to initiate reforms in the processing of immigration service programs. Ongoing initiatives include:

- centralization of immigrant records into a National Records Center with automated query and retrieval capability to ensure accurate and complete records and to speed service delivery;
- establishment of a National Customer Service Center for telephone service, with access throughout the United States and Puerto Rico in 2000;

- centralization of application and medical waiver reviews from INS field offices to Service Centers to maximize application and file quality and integrity, thereby ensuring that INS adjudicators receive cases that can be processed properly; and,
- quality assurance audits and reviews of the benefits processing system and benefits applications.

The budget provides \$35 million to address backlogs in other immigration benefit programs and establishes an Immigration Services Capital Investment Account to provide funding for ongoing backlog reduction efforts in all immigration benefit programs and for major capital acquisitions. This account will be further capitalized with an estimated \$93 million from two new fees, including a premium processing fee of \$1,000 for expedited adjudication of business-related services. Payment of this voluntary fee will ensure INS action on applications within 15 days through direct business-INS liaison, and permits INS to target additional resources at fraud prevention in business applications. The second proposal would re-authorize the 245(i) adjustment of status penalty provision. This provision, which expired in 1998, permits certain migrants, upon payment of a \$1,000 penalty, to adjust their immigration status while remaining in the United States.

An INS Structure for the Future: Over the past few years, the Administration has worked in a close and bipartisan manner with Congress to improve INS' operations. In the same vein, the Administration remains committed to addressing systemic problems, particularly those related to INS' dual missions of service and enforcement. These systemic problems include: competing priorities; insufficient accountability between field offices and headquarters; overlapping organizational relationships, and, lack of consistent operations and policies.

The Administration's principles for a successful restructuring are that immigration enforcement and service missions must have separate and clear lines of authority at all levels, from the field to headquarters, and that the immigration agency must be led by a single executive who can integrate immigration policy, standards, and manage-

ment operations. This single executive, appointed by the President and confirmed by the Senate, is essential to maintain balance between enforcement and services, while ensuring a coherent and coordinated national immigration policy. To be effective, this official must have the statutory authority to direct operations and supervise key integrating and oversight functions, such as legal counsel, financial management, policy, and communications.

The Administration will work with Congress to enact legislation that will fundamentally improve the way immigration operations are conducted, building on the progress already made to reform the INS. The Administration considers it critical to meet this challenge and enact responsible restructuring legislation this year.

Reducing Drug Use, Trafficking, Drug-Related Crime, and Its Consequences

Drug use and its damaging consequences cost our society more than \$110 billion a year and poison the schools and neighborhoods where our youth strive to reach their full potential. Illicit drug trafficking thrives on a culture of crime, violence, and corruption throughout the world. Drug use is a major contributing factor in the spread of AIDS and other deadly diseases. All Americans, regardless of economic, geographic, or other position in society, feel the effects of drug use and drug-related crime.

The results of the most recent National Household Survey on Drug Abuse show that the rate of use in the past month of any illicit drug among 12 to 17 year olds declined from 11.4 percent in 1997 to 9.9 percent in 1998, a 13-percent decrease. This change is complemented by the 1999 Monitoring the Future Study finding that over the past three years, youth viewed marijuana use with greater risk. Youth use of other drugs, including alcohol, cigarettes, cocaine, and heroin, either declined or remained stable over this period. These results suggest that America's youth are receptive to the Government's "no use" message.

The budget proposes \$19.2 billion for drug control programs, an \$1.7 billion increase over the 2000 enacted level. The budget

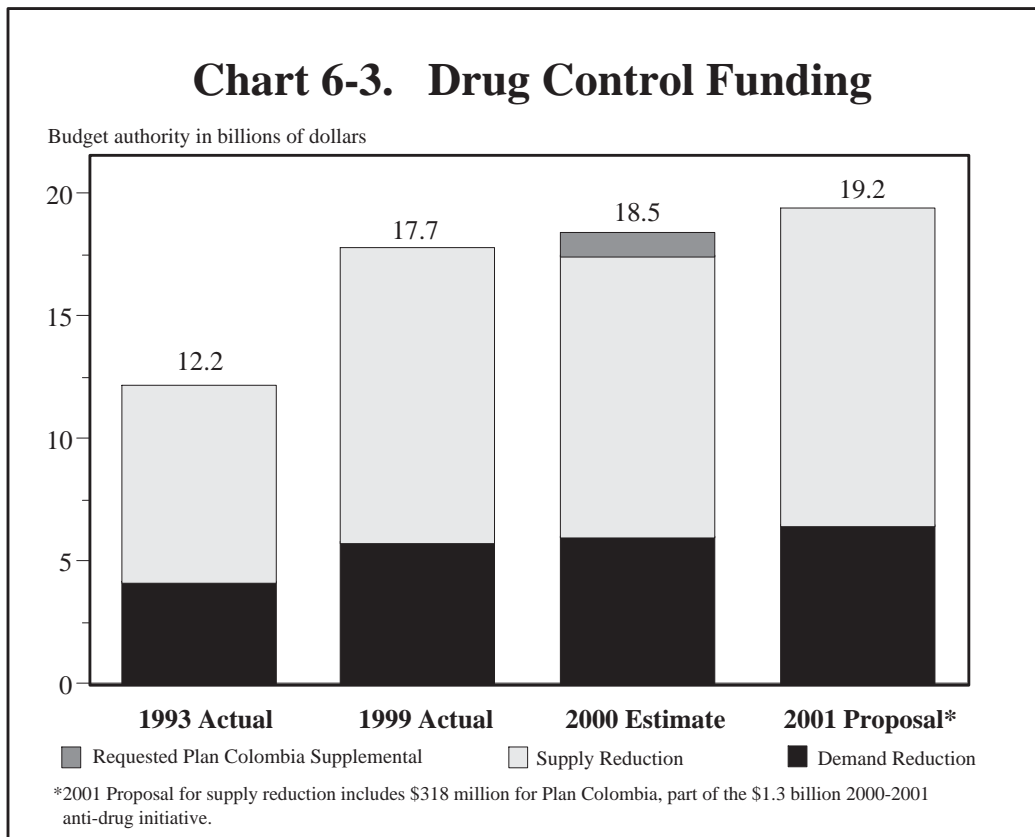
supports increases for key elements in the effort to reduce drug use and its consequences, such as drug treatment; prevention, especially for children and adolescents; domestic law enforcement; and, other supply reduction programs, including significant support for anti-drug efforts in Colombia. (For more information, see Chart 6-3, and Chapter 23, "Federal Drug Control Funding" in *Analytical Perspectives*.)

Colombia: The budget proposes \$1.6 billion, of which \$1.3 billion is new 2000 and 2001 funding, for counternarcotics efforts in the Andean Region, primarily in Colombia. An estimated 80 percent of the cocaine that enters the United States originates in or passes through Colombia. Colombia also produces up to six metric tons of heroin annually, and is a major supplier of heroin to the United States. Cultivation of coca, the raw material for cocaine, has nearly tripled in Colombia since 1992. In addition, Colombian traffickers and coca farmers have recently adopted new cultivation and processing techniques, increas-

ing the amount of drugs processed from each acre of crop. Colombia now cultivates more than half of the coca leaf grown in the world. If unchecked, the rapid expansion of coca crops and cocaine production in Colombia threatens to increase significantly the global supply of cocaine over the next several years.

The Government of Colombia's efforts to attack the drug trade are hampered by the fact that guerrillas and paramilitary groups dominate key drug-producing regions. In addition to these illegal armed groups, organized drug mafias continue to control the international aspects of Colombia's drug trade. The money flowing to these outlaw groups from the drug trade generates violence and corruption and threatens Colombia's democratic institutions. The drug threat, violence, and insecurity are compounded by the worst economic recession in Colombia in almost 70 years.

The democratically elected government of Colombian President Andres Pastrana has devised a comprehensive, integrated strategy,



Plan Colombia, to address Colombia's drug and interrelated social and economic troubles. The budget proposes \$1.6 billion in assistance for Plan Colombia, including an increase of \$1.3 billion over two years—a 2000 supplemental appropriation of \$954 million and \$318 million in 2001.

Since there is no single solution to Colombia's difficulty, the program is an integrated combination of funds for Colombian counterdrug efforts and for other programs to help President Pastrana strengthen democracy and promote prosperity. The proposal would enhance alternative development, strengthen the justice system and other democratic institutions, and provide counterdrug equipment, training, and technical assistance to Colombian police and military forces. The Administration is also encouraging U.S. allies and international institutions to assist Colombia in implementing President Pastrana's Plan Colombia. The budget proposal would also provide additional funding to support counterdrug regional interdiction and alternative development programs to preserve and advance gains against drug production in Peru and Bolivia and prevent the traffickers from simply moving their operations to avoid law enforcement. It is in the national interest of the United States to stem the flow of illegal drugs into the United States and to promote stability and strengthen democracy in Colombia and the Andean Region.

Stop Drugs—Stop Crime: In order to break the cycle of drug use and its consequences, drug-abusing offenders in local, State, and Federal correctional systems should be subject to vigorous drug testing and treatment. The budget includes \$215 million, including \$112 million in new funding, to help break this cycle. The initiative includes: \$100 million of new funding to help States and localities implement or expand tough systems of drug testing, treatment, and graduated sanctions for prisoners, parolees, probationers, and ex-offenders re-entering society; \$50 million, a 25-percent increase over 2000, for drug courts that work to break non-violent offenders of their drug addiction; and, \$65 million, three percent above 2000, to provide intensive drug treatment to hardcore drug users before and after they are released from prison.

Drug Treatment: The budget proposes \$3.8 billion to treat drug abuse, \$256 million more than in 2000, including \$1.2 billion, two percent above 2000, for the Substance Abuse Block Grant and \$163 million, a 43-percent increase over 2000, for the Targeted Treatment Capacity Expansion Grants. The Administration realizes that an effective treatment system must confront drug abuse where the challenge is the greatest—in the streets of urban, suburban, and rural drug markets, and in the criminal justice system. It is a top priority to close the gap between the number of persons wanting treatment and the number receiving it. These chronic drug users consume a disproportionate amount of the illicit drugs used and inflict a disproportionate share of drug-related costs on society.

National Youth Anti-Drug Media Campaign: The Office of National Drug Control Policy, in conjunction with other Federal, State, local, and private experts, is implementing a \$2 billion, multi-year national media campaign, including paid advertisements. The campaign targets youth, their parents, and other influential adults on the consequences of illicit drug use. The anti-drug media campaign is fully integrated Nationwide, including utilization of the Internet, radio, newspapers, and other media outlets. This campaign will continue in 2001 with \$195 million in Federal funds, matched by private sector contributions.

Community-Based Prevention: The budget proposes \$2.5 billion for drug prevention programs, an increase of \$75 million over 2000. The budget also includes \$35 million, a 17-percent increase over 2000, for activities of the Drug-Free Communities Support program that promotes citizen participation in efforts to reduce substance abuse among youth and help community anti-drug coalitions carry out their important missions.

Safe and Drug-Free Schools and Communities Program: Students can reach their full potential only in safe, disciplined, and drug-free learning environments. The Safe and Drug-Free Schools and Communities program helps 97 percent of all school districts implement anti-drug and anti-violence programs. The budget proposes \$650 million for this program, including \$40 million in new funding

to expand the interagency Safe Schools/Healthy Students initiative, which supports comprehensive, community-wide school safety and violence prevention plans. The budget also includes \$50 million for the Coordinator Initiative, which will enable over 1,300 of the Nation's middle schools to have a knowledgeable director for drug and violence prevention programs to ensure that local programs are effective and that school-based prevention programs are linked to community-based efforts.

Domestic Drug Law Enforcement: The budget proposes \$9.8 billion for drug-related domestic law enforcement, \$774 million more than in 2000, to bolster community-based law enforcement efforts, shield the Southwest border from illicit drugs, and enhance coordination among Federal, State, and local law enforcement agencies. The budget proposes an increase of \$65 million for DEA, most of which is to increase staff productivity through an improved information, telecommunications, and technology infrastructure. The Federal Govern-

ment will continue its focus on providing leadership and training; facilitating multi-agency cooperative efforts through the High Intensity Drug Trafficking Areas program, the Southwest border initiative, and other efforts; and, offering incentives to States and localities to use the most effective drug control methods.

Southern Tier of the United States: The Administration remains committed to shielding the Nation's Southern tier from the drug threat. The budget supports the addition of inspectors and new technology at additional ports of entry along the Southwest border. The Customs Service will continue to deploy technology, such as the use of x-rays in the air passenger and outbound environments, to detect illicit contraband and currency. The budget further solidifies the INS interdiction effort by providing additional staff and force-multiplying technology. An increase of \$46 million will expand Coast Guard interdiction operations nine percent above the 2000 level.

7. STRENGTHENING THE AMERICAN COMMUNITY

We need to provide the same encouragement to invest in Appalachia, Native American reservations, the Mississippi Delta, and the inner cities that we provide today to invest in new markets overseas ... It's good for business, it's good for America's growth, and it's the right thing to do.

President Clinton
August 1999

President Clinton took office in 1993 determined to rebuild the American economy. In February of 2000, the economy is poised to enter the longest period of economic expansion in recorded history. For many Americans, the past seven years have meant opportunity and prosperity: more than twenty million new jobs have been created; real wages have continued to rise and the number of people who own homes has reached an all-time high. However, there are still some communities which have not been lifted up by this historic wave of economic expansion. In these areas, unemployment is still too high, economic development is still too weak, and the opportunity to build a better life is limited.

Because the President believes that “a Nation that lives as a community must value all its communities,” he is committed to new and renewed efforts to promote an agenda of opportunity and responsibility and generate growth in these areas. The guiding principle is that the public sector can provide incentives to attract private sector investment, creating partnerships that tap the potential for growth, profit, and economic opportunity in distressed areas. Proposals to expand both the New Markets and the Empowerment Zone/Enterprise Community Initiatives serve as the centerpieces of this year’s Administration efforts to foster the economic development of America’s neediest communities.

At the start of his first term, the President proposed, and worked with Congress to pass, legislation creating Empowerment Zones (EZs) and Enterprise Communities (ECs) to encour-

age private sector investments in underserved areas. These efforts also established the Community Development Financial Institutions Fund to build a network of institutions to facilitate lending, including mortgage financing to first-time home buyers and commercial loans to small businesses.

The New Markets Initiative in its expanded form will leverage even more private sector investment as part of the President’s overall community development effort. Using tax credits, loan guarantees, private investment institutions, universities, and technical expertise for small business, this initiative offers the potential to connect residents of distressed neighborhoods to the jobs and opportunities of the regional marketplace, and replace economic distress with opportunity.

In addition to the New Markets Initiative, the Administration has been committed to strengthening America’s communities through the Empowerment Zone/Enterprise Community Initiative. Along with more private investment, the Empowerment Zone/Enterprise Community Initiative has helped create thousands of jobs that are now filled by those who have traditionally lacked access to economic opportunity. The initiative has also provided job training and educational opportunities for nearly 45,000 residents of EZs/ECs. Additionally, the program has helped create more affordable housing opportunities; allowed communities to address important public safety, infrastructure and environmental concerns; provided social services including affordable health care, child care, and youth development

programs; and, encouraged investment in New Markets areas.

Many Native American communities have not taken part in this wave of economic prosperity. High unemployment, lack of physical infrastructure, remote locations, and lack of access to technology all contribute to the challenges facing Indian Country. The Administration will work with Tribes, on a government-to-government basis, to help this generation and future generations of Native Americans receive greater opportunities. With these goals in mind, the budget includes significant funding increases for Native American communities in areas including health care, education, economic development, and law enforcement.

Jobs and Economic Development

The budget builds upon ongoing efforts to encourage economic growth in America's distressed communities through three complementary efforts: the New Markets Initiative; the EZ/EC program; and, the Community Development Financial Institutions Fund (CDFI).

The New Markets Initiative: The New Markets Initiative, for which Congress expressed a measure of support last year by funding \$39.5 million (contingent upon authorization) of the Administration's request, is expanded to a total of \$248 million. It includes three new elements: a \$15 million microenterprise initiative for investments and support of microentrepreneurs, Program for Investment in Microentrepreneurs; a \$5 million university partnerships initiative; and, \$30 million to make banking more affordable and accessible to low-income communities. Qualifying Tribes or Tribal consortia are eligible for these programs.

- ***The New Markets Tax Credit:*** To help spur \$15 billion in new equity capital for a range of private investment vehicles serving distressed communities, a 25-percent tax credit is proposed, more than doubling last year's proposal, at a cost of \$5 billion over 10 years. Eligible entities will include community development banks, community-oriented equity funds, and other new investment programs created by this initiative. A wide range of businesses can be

financed by these investment funds, including inner-city shopping centers and retail stores, small technology firms, manufacturing facilities and incubators, and data management facilities.

- ***America's Private Investment Companies (APICs):*** APICs will encourage private investment in this country's untapped markets by providing loan guarantees to the debt issued by these funds, administered by the Department of Housing and Urban Development (HUD) in consultation with the Small Business Administration (SBA). Private investment companies that target portfolios of larger businesses relocating to or expanding in economically distressed inner-city and rural areas will be eligible for loan guarantees. To be licensed, APICs must raise a substantial amount of private capital managed by staff with a balance of experience in private investing and in community development. Last year, APICs received \$20 million subject to enactment of authorizing legislation. The budget proposes \$37 million.
- ***New Markets Venture Capital (NMVCs):*** New Markets Venture Capital Firms invest in smaller growth companies that can also benefit from expert management assistance. NMVCs match equity of private investors with Government-guaranteed debt and technical assistance funding to cultivate the growth of smaller firms. Last year, NMVCs received \$15 million in appropriations. The budget proposes \$52 million.
- ***Program for Investment in Microentrepreneurs (PRIME):*** This initiative will provide \$15 million to provide technical assistance grants to microenterprise intermediaries to assist low-income and disadvantaged entrepreneurs. Microenterprises are very small businesses that typically have fewer than 10 employees and generally lack access to conventional loans, equity, or other banking services.
- ***BusinessLINC:*** The Vice President, along with a number of CEO's, launched BusinessLINC in December 1998 to encourage learning, investment, networking, and collaboration between large and small businesses, in order to accelerate the

growth of businesses in economically distressed areas. The budget proposes \$6.6 million in additional funding for local BusinessLINC coalitions that match large and small firms, and provide supportive services. Of this amount, \$1.25 million will be used to develop appropriate BusinessLINC connections in Indian Country.

- *University Partnerships:* Another new element of the New Markets Initiative includes \$5 million, from HUD, for a pilot project to provide grants to 10 to 12 business and law schools to institutionalize their role in local economic development, through a range of activities including convening discussions on community needs, identifying local assets, formulating strategies, and organizing new efforts. In addition, these grants will be used by schools to foster business development and serve businesses and community development corporations in low- to moderate-income areas.
- *Financial Services:* The New Markets Initiative also includes \$30 million to provide increased access to financial and banking services for the approximately 10 million unbanked households who do not have access to the mainstream banking system. The initiative will encourage the creation of low-cost bank accounts and the placement of Automated Teller Machines (ATMs) in post offices and other locations in low-income neighborhoods where access to ATMs is limited. It will also promote financial education for low-income families.

Empowerment Zones (EZs)/Enterprise Communities (ECs): While the New Markets and CDFI programs address capital access and credit, the EZ/EC Initiative is the foundation of the Administration's empowerment agenda for communities with high unemployment and poverty rates. This initiative challenges qualified urban and rural areas to develop comprehensive strategic plans for revitalization, with input from residents and community partners. The program selects communities with the most innovative plans and significant local commitments.

Investment in EZ/ECs is available in many forms. The Federal Government provides tax benefits for businesses and flexible grants to communities for job training, day care, and other purposes. EZ/ECs can apply for waivers from Federal regulations, enabling them to better address local needs. Special set-asides from Department of Agriculture rural development programs are also available to rural EZ/ECs.

Round I EZ/ECs: Designated in 1994, these EZ/ECs are showing promising results. The Baltimore, MD, EZ, for instance, has created approximately 2,860 new jobs as a result of Title XX funding and other leveraged investments, and 3,250 Zone residents have been placed directly into jobs through various work force placement partners. Through June 1999, Empower Baltimore Management Corporation (EBMC) has spent more than \$18.4 million across four components of Baltimore's strategy: business development for job creation; work force development; quality of life, and, community-capacity building. The Kentucky Highlands Rural EZ has used its \$11 million venture capital fund to assist 30 new businesses or business expansions, leveraging almost \$66 million in capital that created 2,319 jobs and expects to create over 1,000 more in the next few years. Since this EZ was designated in December 1994, unemployment in the area has dropped by more than half.

Round II and Round III EZ/ECs: In January 1999, the Administration designated a second round of 15 urban EZs, five rural EZs, and 20 rural ECs, selected on a competitive basis, from applications of more than 250 communities. The budget proposes \$1.4 billion in mandatory grant funding for the remaining nine years for urban EZs and \$120 million for the remaining eight years for rural EZs, as the Administration proposed in 1999 and 2000. These grants would allow communities to implement comprehensive long-term strategies to address their local needs.

The budget also proposes a series of tax measures to extend and improve economic growth in the 31 existing Round I and Round II EZs and also proposes to create a Third Round of 10 new EZs (eight urban

and two rural). The total cost of these tax expenditure proposals is approximately \$4.4 billion over 10 years. To encourage employment and growth, the budget proposes to create and extend a 20-percent wage credit for all existing and proposed EZs through 2009 (under current law, only Round I EZs have the credit and it is scheduled to expire in 2004.) To enhance the incentives for small businesses in EZs, the budget proposes to allow them to deduct an additional \$35,000 in investments above the normal small business investment deductions. The proposal will also increase access to capital through tax exempt financing by allowing local governments to issue tax-exempt bonds on behalf of EZ businesses. The President's proposal would permanently extend the Brownfields Tax Incentive in EZs.

Community Development Financial Institutions Fund (CDFI Fund): Complementing the New Markets Initiative and EZ/EC initiatives, the Fund uses the provision of Federal resources as the foundation for leveraging significant private sector resources. CDFIs include a broad range of institutions—community development banks, credit unions, venture capital funds, business loan funds, and microenterprise loan funds—that provide a wide range of products and services, such as mortgage financing to first-time home buyers, commercial loans for small businesses, and other basic financial services. By creating and expanding a diverse set of CDFIs, the Fund helps develop new private markets, create healthy local economies, promote entrepreneurship, restore neighborhoods, generate tax revenues, and empower residents in distressed urban and rural communities.

Every CDFI that receives financial assistance from the Fund must provide at least a one-to-one match with funds from non-Federal sources. To date, the CDFI Fund has awarded over \$215 million in financial and technical assistance to CDFIs. In addition, the Fund has awarded over \$90 million to traditional banks and thrifts for increasing their activities in economically distressed communities and investing in CDFIs. The budget proposes \$125 million for the CDFI Fund.

Other programs that promote economic development and provide services to underserved families, individuals and markets include:

HUD's Community Empowerment Fund (CEF): The CEF/EDI, working in tandem with the Section 108 loan guarantee program, will work with a new pilot program beginning in 2000 to create loan pools to improve the securitization of Section 108 loans.

HUD's Continuum of Care: This program promotes comprehensive systems to address the needs of homeless individuals and families. The Administration proposes \$1.2 billion in HUD homeless assistance, an increase of 18 percent over 2000. This funding level includes \$105 million for rental assistance vouchers to help the homeless move to permanent housing with supportive services. The Administration also proposes to expand access to mainstream health, social services, and employment programs for which the homeless may be eligible through a new \$10 million program administered by the Department of Health and Human Services, States, and large counties. The initiative includes expanding access to Medicaid, State Children's Health Insurance Program, Temporary Assistance for Needy Families, Food Stamps, and services funded through the Mental Health and Substance Abuse Block Grant, Workforce Investment Act, and the Welfare-to-Work grant program.

Department of Agriculture's (USDA) Rural Development Programs: Because their needs can vary widely, no single approach will help both urban and rural communities. The Administration once again proposes to give States, localities, and Tribes more flexibility in their use of USDA's Rural Development grants and loans for businesses, water and wastewater facilities, and community facilities such as day care centers and health clinics. The 1996 Farm Bill authorized this approach through a new Rural Community Advancement Program (RCAP), combining 12 separate USDA programs into a Performance Partnership that can tailor assistance to the unique economic development needs of each rural community. The budget proposes \$3.4 billion in loans and grants for RCAP, 29 percent more than in 2000, and the full flexibility

that the 1996 Farm Bill envisioned. It also repropose Partnership Technical Assistance (PTA) grants to assist rural communities in developing strategic plans for economic development, and grants for early-warning weather systems in areas prone to tornadoes. As part of the Administration's multi-agency initiative for the Mississippi Delta Region (MDR), \$2 million of the \$7 million in PTA grants are targeted to MDR counties (the 219 counties of the region as defined by P.L. 100-460). In addition, there is a set-aside of \$8 million in Intermediary Relending Program Loans for the MDR.

Farm Safety Net proposal: Many rural communities depend significantly on the economic health of the farm sector. In addition to helping these communities diversify their economic base, through the New Markets and other economic and community development initiatives in the budget, the Administration is proposing an \$11 billion package to enhance the farm safety net through 2002, when the next farm bill will be enacted (see Table 7-1).

It has become painfully clear that the 1996 Farm Bill fails to support farm family incomes when prices fall or natural disasters strike. Even with \$15 billion in emergency funding appropriated for distressed farmers and ranchers in the last two years, assistance remains inadequate because the 1996 Farm Bill is fundamentally flawed. While we cannot rewrite all farm policy this year, we can provide relief to those in need through the life of the current farm bill.

The budget proposes to mend the farm safety net by providing counter-cyclical income assistance when crop prices are low, to make up a portion of farmers' lost revenue relative to a five-year average, freezing the USDA marketing loan rates for the 2000 crops at their 1999 levels, and increasing Federal crop insurance subsidies so farmers are better protected from natural disaster losses.

The budget also proposes major increases in USDA conservation programs, such as the new Conservation Security Program and the existing Conservation and Wetlands Reserve and Farmland Protection Programs, which would enable farm families to conserve and enhance environmentally sensitive farm-

land and protect their farms from urban and suburban sprawl while increasing farm income. To help diversify farm families' income sources, the budget also includes funding to enable farmer cooperatives to build commodity processing facilities that will channel value-added profits back to producers, and supports greater crop use for bioenergy production.

Appalachian Regional Commission (ARC): The Administration continues support for ARC to help 406 economically distressed counties in the 13 State Appalachian region. The ARC's Federal-State partnership is a proven economic development model of balanced fiscal decision-making that has helped improve the economic viability of this region over the past 35 years. Furthermore, the Administration is doubling the ARC's Entrepreneurship Initiative, which seeks to fund innovative economic development projects in the region, from \$5 million to \$10 million in 2001, a significant increase to ARC's total funding of \$71 million.

Rural Alaskan Economic Development: The Denali Commission, which focuses on the economic development challenges of rural Alaska, will provide resources to improve the basic infrastructure of this region. Thirty million of new funding will address water and sewer and leaking fuel storage tanks in Alaska. Funds will also be used to create job training programs to provide the sustainable economic development opportunities for these remote Alaskan communities.

Delta Regional Authority (DRA): The budget includes \$153 million to create the new DRA to assist the Lower Mississippi Delta Region. This proposal includes \$30 million in new resources to create this new authority. Modeled after other economic development agencies, the DRA will target its funding and resources to economically distressed counties throughout the Delta. The remaining \$123 million will be targeted to these counties from existing programs at the Departments of Housing and Urban Development, Commerce, Transportation, Agriculture, Labor, Education, and Health and Human Services.

Livable Communities Initiative: The Livability Communities initiative encourages the creation of livable communities and regions

Table 7-1. \$5.7 Billion Increase in 2001 for the Farm Safety Net
(Mandatory funding, in millions of dollars)

		Actual		2000 Estimate	2001		Change: Authorized Level to Proposed
		1993	1999		Author- ized Level	Proposed	
Proposed Authorizations:							
Crop insurance reform	BA	868	1,674	742	1,759	2,669	+910
	OL	726	1,588	1,967	2,015	2,560	+545
Non-insured Crop Disaster Assis- tance: Remove area-loss trigger	BA	.....	54	185	86	196	+110
	OL	.....	54	185	86	196	+110
Income assistance:							
Guarantee 92 percent of five-year average ¹	BA	.....	.....	.....	.....	2,464	+2,464
	OL	.....	.....	.....	.....	2,464	+2,464
Extend dairy price-support pro- gram to 2002	BA	120	242	250	107	257	+150
	OL	120	242	250	107	257	+150
Total, Income assistance	BA	120	242	250	107	2,721	+2,614
	OL	120	242	250	107	2,721	+2,614
Conservation programs ²	BA	.....	335	355	246	1,409	+1,163
	OL	.....	323	417	300	1,124	+824
Empowerment Zones/ Enterprise Communities ³	BA	.....	15	15	.....	15	+15
	OL	.....	.....	5	.....	.....	.....
Cooperative development	BA	.....	.....	.....	.....	80	+80
	OL	.....	.....	.....	.....	80	+80
Subtotal, Proposed Authorizations	BA	988	2,320	1,547	2,198	7,090	+4,892
	OL	846	2,207	2,824	2,508	6,681	+4,173
Existing Authorization:							
Marketing loan rates frozen	BA	.....	.....	20	.....	500	+500
	OL	.....	.....	20	.....	500	+500
Bioenergy (ethanol) Incentive Pay- ments:	BA	.....	.....	100	.....	150	+150
	OL	.....	.....	100	.....	150	+150
Conservation Reserve Program (CRP):							
Continuous sign-up bonus	BA	.....	2	110	13	138	+125
	OL	.....	2	110	13	138	+125
Farm storage facility loans	BA	.....	.....	.....	.....	10	+10
	OL	.....	.....	.....	.....	10	+10
Subtotal, Existing Authorization	BA	.....	2	210	13	798	+785
	OL	.....	2	210	13	798	+785
Total, Farm Safety Net Ini- tiative	BA	988	2,322	1,796	2,211	7,888	+5,677
	OL	846	2,209	3,059	2,521	7,479	+4,958

¹The income assistance proposal would also generate \$600 million in 2000 outlays.

²This initiative would also increase cumulative CRP enrollment to 40 million acres, allowing an additional 1.2 million acres to sign up annually in 2001 through 2003. The first CRP payments for these additional acres would be made in 2002.

³1999 and 2000 amounts are classified as discretionary spending.

by aligning and dedicating new and existing Federal resources in support of locally determined livability initiatives. The programs included in the Livable Communities initiative will help accelerate and strengthen the devel-

opment of regional capacities to address the problems of making America's metropolitan and rural areas good places to live, work, play and raise a family. The budget proposes

four investments as part of the Livable Communities initiative.

This initiative includes an unprecedented request for a \$6.3 billion mass transit transportation initiative, a \$1.6 billion congestion relief and air quality improvement program, \$468 million for the Expanded Passenger Rail Fund, \$719 million to implement the enhancements program; and, \$52 million for the Transportation and Community and System Preservation pilot. In addition, the Better America Bonds program, administered by the Environmental Protection Agency, will provide Federal tax credit bonds enabling local, State and Tribal governments to issue \$10.8 billion over five years for green space preservation, water quality enhancement, and clean up of abandoned industrial sites. HUD's \$25 million Regional Connections Initiative will promote regional "smart growth" strategies and complement the Administration's other regional efforts. Regional Connections' matching grants will help local partnerships design and pursue smarter growth strategies across jurisdictional lines. As a part of the Livable Communities Initiative, the budget also proposes \$125 million for the Department of Justice's Crime-Solving Technologies to improve community safety.

Also included in the budget is the continuation of the Lands Legacy initiative, which will complement the Administration's Livable Communities initiative, by emphasizing land conservation; smart growth planning; and partnerships with State, local, and Tribal governments and non-profit groups to preserve open spaces in urban, suburban, rural, and coastal areas (see Chapter 4, "Protecting the Environment"). This year's Lands Legacy initiative includes \$50 million for the Interior Department's new State Planning Partnerships of which \$30 million is for the Community/Federal Information Partnership (C/FIP). The funding will provide grants, contracts, technical assistance, information, and analytical tools to communities to manage resources and future growth while preserving environmentally sensitive land.

The Administration is proposing a manufacturing initiative to assist industry, workers, and communities that have been adversely impacted in part by the slowdown in the

Asian economy and other factors beyond their control. This initiative will double the funding for the Economic Development Administration's Economic Adjustment program to better assist communities that experience sudden and severe economic distress due to adverse global market conditions. It will provide the tools and resources to get direct technical assistance to communities in need, as have similar intensive, inter-agency efforts in the past which have successfully engaged industry, communities, and workers to address situations prompted by a downturn in economic conditions, like base closings. Additionally, the initiative will support efforts to promote the use of electronic commerce for trade promotion activities by large and small manufacturers. Increased funding of \$15.5 million for the Department of Commerce will provide the resources to support enhanced trade compliance activities, by adding trade and compliance officers to monitor unfair trade practices and by reducing the time it takes to prepare dumping and countervailing duty cases. This enhanced monitoring and preparing trade cases in a quicker time frame will better provide effective relief to trade-injured industries and workers.

Housing Needs of American Communities

The Administration's efforts to create the National Partners in Homeownership—a coalition of 66 key public and private housing organizations—and to form a National Homeownership Strategy have led more families to homeownership than at any time in American history. Along with a strong economy and low interest rates, the Administration's policies have helped boost homeownership to 67 percent—a new all-time high. Under this Administration, 8.7 million Americans have become homeowners, including record numbers of minorities.

The Administration's efforts to increase support for housing for low-income families resulted in an increase in 2000 of 60,000 new housing vouchers. The budget seeks to build on this progress and proposes to double the number of new housing vouchers, providing \$690 million for 120,000 new vouchers Nationwide.

Federal Housing Administration (FHA):

The Administration's successful 1999 proposal to increase the FHA mortgage limit has allowed FHA to help 50,000 more families purchase their first homes, especially large families and families in high cost areas. Building on this success, the budget proposes to further increase the FHA mortgage limit to allow an additional 55,000 families to purchase homes in 2001. The budget also authorizes FHA to offer new adjustable-rate mortgage (ARM) products, opening homeownership to more than 40,000 families in 2001. These new products will offer a sound mortgage product to borrowers who do not qualify for a fixed-rate mortgage or cannot afford fixed-rate pricing, but who want to avoid the volatility associated with traditional ARMs.

Low-Income Housing Tax Credit

(LIHTC): The budget proposes to expand the LIHTC to spur the private sector to develop more affordable low-income rental housing in high poverty areas. The proposal will cost \$1.0 billion over the next five years and help develop another 75,000 to 90,000 units per year.

Assisted Housing: The Administration proposes \$690 million for 120,000 housing vouchers, including 32,000 for families seeking to move from welfare to work, and 18,000 to help the homeless move to permanent housing with supportive services. Under the HUD Welfare-to-Work voucher program, local housing agencies that work in partnership with State and local welfare agencies will get the flexibility to design programs serving welfare families for whom housing assistance is critical to getting and retaining jobs. In addition, the budget continues to reduce poverty concentrations by providing \$625 million in HOPE VI grants to local housing authorities to demolish approximately 28,000 dilapidated non-viable public housing units over the next three years, and replace them with portable subsidies or newly constructed mixed-income housing. These funds provide sufficient resources to surpass the Administration's goal of demolishing 100,000 of the most severely distressed units by 2003.

USDA's Rural Housing Service (RHS) offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. One of the RHS goals is to reduce

the number of rural residents living in substandard housing. The RHS direct loan program provides subsidized loans to very low and low-income rural residents. Its single family guaranteed loan program guarantees up to 90 percent of a private loan for buying new or existing housing. Together, the two programs will provide \$5 billion in loans and loan guarantees in 2001, providing 68,000 decent, safe, affordable homes for rural Americans. This level of funding includes a legislative proposal increasing the single family housing guarantee program loan fee from one percent to two percent, which permits the Administration to provide higher loan levels at less cost.

RHS's section 515 program, which generally lends to private developers, finances both the construction and rehabilitation of rural rental housing for low- to moderate-income, elderly, and handicapped rural residents. The budget provides \$120 million in direct loans, providing over 1,400 new units for very low-income tenants in rural America. RHS also provides section 538 multifamily housing guaranteed loans, and the budget provides a loan level of \$200 million, which funds 3,200 new units for low to moderate income tenants. Additional multifamily housing funding includes \$45 million in the farm labor housing program level—an increase of 20 percent over 2000—that serves almost 100 percent minority populations.

In addition, the budget contains \$20 million as a new set-aside within the HUD CDBG program in competitive grants for targeted technical assistance to increase the role of non-profit (including community-based and interfaith) organizations in supplying and maintaining affordable housing, creating economic opportunity, and participating in a wide range of HUD programs that assist low-income people in high poverty areas.

New Opportunity Agenda through Volunteerism

The budget includes numerous programs to narrow disparities and to increase economic opportunity in our Nation so that we may achieve the goal of strengthening the American community.

National Service: The President has consistently supported and encouraged community service and volunteerism through such programs as AmeriCorps and other programs supported through the Corporation for National and Community Service. Volunteerism and community service have been a strong and important tradition in America ever since its founding. In 1994, President Clinton signed the King Holiday and Service Act making this national holiday a day of service to bring people together, promote racial cooperation, and help solve problems through citizen action.

The Corporation for National and Community Service: This agency and its programs encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes \$851 million for the Corporation, a 16-percent increase over 2000.

AmeriCorps: Over 150,000 individuals will have participated in the Corporation's AmeriCorps in its first five years. The program helps young Americans of all backgrounds to serve in local communities through programs sponsored by local and national nonprofits. Participants serve full- or part-time, generally for at least a year. In return, they earn a minimum living allowance, set at about the poverty level of a single individual and, when they complete their service, they earn an education award to help pay for postsecondary education or repay student loans. Building upon the Administration's commitment to national service, the budget proposes to increase annual AmeriCorps participation to 100,000 by 2004. As the first step on that path, the budget adds 9,000 AmeriCorps participants in 2001 for a total of 62,000. In addition, the budget provides \$5 million for an AmeriCorps Reserves Program, modeled after the military reserves, to re-engage AmeriCorps alumni in service to their communities on weekends and in times of natural disasters.

Service Opportunities for Youth: The budget includes \$15.5 million in the Corporation for New Youth Initiatives, including \$5 million for a Community Coaches program to increase service-learning opportunities for youth; \$3 million for Youth Empowerment Grants to support youth-focused projects that

solve problems in their communities, such as youth violence; and \$7.5 million to support America's Promise: The Alliance for Youth to help all children grow into healthy, strong, and productive adults.

The National Senior Service Corps: This Corporation program provides opportunities for citizens age 55 and older to use their time and talents to meet community needs. The budget includes \$193 million for the Retired and Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Program, enabling more than half a million older Americans to help others of all ages.

From Digital Divide to Digital Opportunity

Access to computers and the Internet and the ability to use this technology are becoming increasingly important for full participation in America's economic, political, and cultural life. In the face of strong evidence of a digital divide—a gap between those who have access to information technology and those who do not—the Administration proposes an initiative to help close the digital divide and ensure that every American benefits from the opportunities created by information technology.

Community Technology Centers (CTCs): CTCs are designed to provide access to and training for information technology in a community-based setting within traditionally underserved areas. The budget provides \$100 million in 2001 to support the creation of up to 1,000 CTCs.

Broadband Communities: Grants and loans to communities by the Department of Commerce's Economic Development Administration (EDA) and the USDA's Rural Utilities Service (RUS) will help ensure that underserved rural, urban, and Native American communities can build the infrastructure necessary to promote economic development through broadband (high-speed Internet) technology and electronic commerce. The Administration proposes \$23 million for EDA to provide grants to distressed communities to plan for and install broadband infrastructure, and a RUS pilot program consisting of \$2 million in grants and \$100 million in loans to finance

installation of broadband transmission capacity to and through rural communities.

Internet Home Access Program: The Administration proposes \$50 million for a new grant program that would provide low-income individuals and families with connections, training, and support necessary for full participation in today's increasingly online society. The National Telecommunications and Information Administration within the Department of Commerce will encourage community-based partnerships between local organizations, academia, and private industry to devise solutions that address the needs of low-income populations in gaining access to technology and online resources at home. In order to demonstrate the local and private sector commitments, applicants will be required to provide matching funds.

Technology Opportunities Program: Increased economic opportunity for all Americans hinges not only upon access to information technology tools but also upon content and applications that help empower low-income households and underserved communities. The budget proposes increasing funding for the Department of Commerce's Technology Opportunities Program (formerly the Telecommunications and Information Infrastructure Applications Program) to \$45 million to expand its successful program of replicable, community-based grants into areas such as on-line support for microenterprise development and distance learning.

Civil Rights Enforcement

The Administration is committed to expand efforts to help ensure that no American is denied a job, a home, or an education because of their race, ethnicity, gender, religion, or disability; we will help ensure equal opportunity for all Americans. The budget

includes \$698 million for funding civil rights enforcement agencies, an \$81 million, or 13-percent, increase over the 2000 level of \$617 million.

The budget proposes a total of \$322 million for the Equal Employment Opportunity Commission (a 15-percent increase) to support the agency's effort to reduce the backlog of private sector cases to 28,000 by the end of 2001; \$98 million for the Department of Justice's Civil Rights Division (a 19-percent increase) to expand investigations and prosecutions of criminal civil rights cases (including hate crimes), promote compliance with the Americans with Disabilities Act and handle more police misconduct cases; \$76 million for the Department of Education's Office of Civil Rights (a seven-percent increase) which includes funds to support staff training and technological improvements to ensure a viable civil rights compliance and enforcement program; \$76 million for the Department of Labor's Office of Federal Contract Compliance Programs (a four-percent increase) to continue the President's Equal Pay Initiative; and, \$50 million for HUD's fair housing activities (a 14-percent increase) to reduce housing discrimination by working with public and private fair housing groups to assist in enforcement of the Fair Housing Act. Additionally, \$21 million will be used by USDA to improve civil rights enforcement and program outreach to under-represented customers. (See Table 7-2 for the civil rights enforcement funding summary.) The budget also includes a \$27 million Equal Pay Initiative to educate employers and the public about wage issues, to provide training to women for non-traditional jobs, and to help employers assess and improve their pay policies.

Public Television in the Digital Age

The budget provides a total of \$393 million for 2001 through 2003 for the public broadcasting system's transition to digital technology. Digital broadcasting will allow greatly expanded educational, community service, and cultural programming through innovative applications, including high-definition and interactive television. Funding through the Department of Commerce will be devoted to promoting digital transmission, while funding for the Corporation for Public Broadcasting will be for digital program production and development capabilities.

Table 7-2. Civil Rights Enforcement Funding

(Budget authority, in millions of dollars)

	1999 Actual	2000 Estimate	2001 Proposed	Change: 2000 to 2001
Department of Agriculture: Civil Rights Programs	16	18	21	+3
Department of Education: Office for Civil Rights	66	71	76	+5
Department of Health and Human Services:				
Office for Civil Rights	21	22	24	+2
Department of Housing and Urban Development:				
Fair Housing Activities	40	44	50	+6
Department of Justice:				
Civil Rights Division	69	82	98	+16
Department of Labor:				
Office of Federal Contract Compliance Programs	65	73	76	+3
Civil Rights Center	5	6	6	.....
Department of Transportation: Office of Civil Rights	7	7	9	+2
Environmental Protection Agency: Office of Civil Rights	4	4	5	+1
Commission on Civil Rights	9	9	11	+2
Equal Employment Opportunity Commission	279	281	322	+41
Total	581	617	698	+81

Commitment to Native Americans

The relationship between the U.S. Government and Native Americans is a historical one founded on a trust responsibility. The Administration continues to honor its government-to-government relationship with Tribes by supporting critical programs serving Indian reservations, and by bringing together Tribal leaders and resources across the Government to address priority Tribal concerns, such as health care, education, economic development, infrastructure development, and other basic services. Within the total funding to address the unique relationship with Native Americans, the Administration includes a Government-wide initiative increase of \$1.2 billion to address these crucial issues comprehensively and systematically. The Domestic Policy Council Interagency Work Group, chaired by the Interior Secretary, will coordinate agency efforts to implement the initiative.

The budget reflects the Administration's commitment to Native Americans, proposing \$9.4 billion, 14 percent more than in 2000 and 75 percent over 1993, for Federal programs addressing basic Tribal needs and encouraging self-determination (see Table 7-3). The Health and Human Services Department's Indian Health Service (IHS) at \$2.6 billion (10 percent over 2000) and the Interior

Department's Bureau of Indian Affairs (BIA) at \$2.2 billion (18 percent over 2000) make up more than half of total Federal funding for Native American programs and services. In addition, BIA and IHS will continue to promote Tribal self-determination through local decision-making. Tribal contracting and self-governance compact agreements now represent 41 percent of BIA's operations budget, and over 42 percent of IHS' budget.

The Government-wide initiative will substantially expand existing services and create new opportunities for Native Americans in four principal areas:

- *Health Care:* For IHS, the budget proposes an investment of \$2.6 billion, a 10-percent increase over the 2000 level. This increase will enable IHS to continue expanding accessible and high-quality health care to its Native American service users, through IHS' existing network comprised of over 543 direct health care delivery facilities. This increase reflects a five-pronged approach for IHS: a substantial funding increase in 2001, better access to health grants, Medicare and Medicaid reimbursements, achievement of medical efficiencies by ensuring that health care procedures are done only when they are necessary and are done in a cost-effective manner,

Table 7-3. Selected Components of the Native American Initiative
(Budget authority, in millions of dollars)

	Actual		2000 Estimate	2001 Proposed	Change: 1993 to 2001	Change: 2000 to 2001
	1993	1999				
Health Care:						
Indian Health Service (IHS/HHS)	1,858	2,240	2,391	2,620	+762	+230
IHS program level, including receipts	2,022	2,650	2,830	3,060	+1,038	+230
Education:						
BIA School Construction, Repair, Maintenance (BIA/DOI)	90	60	133	300	+210	+167
School Construction For Public Schools Serving High Concentrations of Native Americans (Ed Dept)	4	5	5	55	+51	+50
BIA School Operations (BIA/DOI)	343	476	467	507	+164	+40
Indian Education Assistance for Public and BIA Schools Serving Native Americans (Ed Dept)	82	66	77	116	+34	+39
Support of Tribal Community Colleges (Multiagency)	24	44	52	67	+43	+15
Economic Development:						
New Markets and Other Activities—Economic Development Administration (Commerce)	3	3	3	49	+46	+46
Digital Opportunity and Other Activities (NSF)				10	+10	+10
Small Business Development (SBA)		*	*	6	+6	+6
Community Development Financial Institutions (Treasury)				5	+5	+5
Rural Community Advancement Program/RCAP (USDA)			12	24	+24	+12
Commercial Code Implementation and Other Activities—Administration on Native Americans (HHS)	35	35	35	44	+9	+9
Infrastructure and Other Basic Services:						
Indian Reservation Roads and Bridges:						
Road/Bridge Construction (DOT)	202	284	250	375	+173	+125
Road/Bridge Maintenance (BIA/DOI)	30	26	26	32	+2	+6
Indian Housing:						
Housing and Urban Development	401	693	693	725	+324	+32
Housing Improvement Program (BIA/DOI)	20	16	16	32	+12	+16
Joint Indian Country Law Enforcement:						
Department of Justice	4	182	195	279	+275	+84
BIA/DOI	9	98	141	157	+148	+16
Subtotal, Law Enforcement	13	280	336	439	+426	+103
Capacity Building & Other Basic Services:						
Environmental Protection Agency	38	159	170	188	+150	+18
Improved Trust Services (BIA/DOI)	85	74	73	108	+23	+35
Operation of Indian Programs (BIA/DOI)	1,363	1,584	1,640	1,795	+432	+155
Total Government-wide Funding for Native American Programs	5,361	7,806	8,201	9,380	+4,019	+1,178

*\$500 thousand or less.

and vigilance on fraud and abuse. (Additional detail is provided in Chapter 3, “Strengthening Health Care.”)

The budget also supports access to health services and improves the health status of Native American by ensuring that IHS’ health facilities are adequately maintained. Within the increase, IHS will continue the construction of the Navajo Fort Defiance (AZ) Hospital, the Parker Health (AZ) Clinic, and the Winne-

bago (NE) Hospital. In addition, the \$30 million a year in diabetes-related funding that IHS receives under the Children’s Health Insurance Program will help alleviate complications from diabetes.

- *Education:* The Administration is continuing its commitment to Native American education by systematically funding school repair and replacement needs on Indian reservations. The budget proposes

\$300 million (more than double the 2000 level) for BIA to fund the replacement of six elementary and secondary schools and numerous health and safety improvement and repair projects across Indian Country. Within BIA's school construction funds, up to \$30 million may be used by Tribes or tribal consortia to defease the principal on bonds authorized under the Administration's school construction bonding proposal. In addition to school construction, BIA will provide \$507 million (nine percent over 2000) for elementary and secondary school operations, early childhood development, and early intervention partnerships by establishing therapeutic pilots at six BIA boarding schools to provide students with services ranging from education to mental health and substance abuse treatment.

The Education Department will provide \$1.7 billion (eight percent over 2000) in direct and indirect support for the education of Native Americans. This includes \$116 million (\$39 million over 2000) for the Indian Education program to fund grants to local educational agencies and continue the second year of in-service and pre-service training for the American Indian Teacher Corps initiative. This amount also provides \$5 million for a new initiative, the American Indian Administrator Corps, that will support the recruitment, training, and in-service professional development of American Indian professionals to become effective school administrators in schools with high populations of Native American students. The Department will also set aside \$50 million in its \$1.3 billion national School Renovation initiative for public schools with high concentrations of Native American students and provide an additional \$5 million for the schools under Impact Aid Construction.

Across the Government, agencies contribute to Native American postsecondary education through financial support of Tribal colleges. For example, the Interior, Agriculture, Education, Housing and Urban Development, and Transportation Departments propose a total of \$67 million (29 percent over 2000) for activities related to curriculum development, student recruitment, student services, pro-

fessor training, research capacity-building, and tribal outreach.

- *Economic Development:* The 2001 Budget proposes \$54 million in Tribal funding (nearly nine times the 2000 level) for the Department of Commerce. In keeping with last year's efforts to expand New Markets to underserved areas, \$49 million of the total amount will further the Economic Development Administration's infrastructure, planning, and public works projects on Indian Reservations. These projects will focus on technology, business development, and Tribal economic development activities.

The Administration proposes a new initiative for Tribal colleges to encourage Native Americans to pursue information technology and other science and technology fields as areas of study, as well as to increase the capacity of these institutions to offer relevant courses. The budget provides \$10 million, to be administered by the National Science Foundation, for course and program development, and for teacher professional development activities at feeder schools.

The budget also proposes \$6 million for the Small Business Administration (SBA) to fund the Office of Native American Affairs and to establish two initiatives for improving economic development on reservations: BusinessLinc and Native American Small Business Development Centers (SBDC). The SBA will expand the successful BusinessLINC program to Indian Country by establishing mentor/protege relationships between large and small businesses. In addition, the budget proposes new funding to expand the SBDC program into Indian Country to provide business and technical assistance to Native American entrepreneurs. A set-aside of \$5 million from the Treasury Department's Community Development Financial Institutions Fund will also be used to promote New Markets on reservations by establishing a training and technical assistance program addressing human capital development needs in Indian Country.

The budget includes \$229 million (16 percent over 2000) for Agriculture Department programs serving Indian reservations, of which \$26 million (\$14 million over 2000) is targeted

to Tribes through Rural Community Advancement Program (RCAP) and other economic development activities. This funding will provide low-interest loans and grants to construct and improve Tribal water and wastewater systems, and community facilities like health clinics and child care centers on Indian reservations, and to diversify and expand economic opportunities.

In addition, the Health and Human Services Department's Administration on Native Americans will allocate \$2 million of its \$9 million increase over 2000 to support additional efforts to develop Tribal legal codes. This funding will support Tribal efforts to develop environmental and tax codes, as well as codes addressing the areas of business, commercial, zoning, land use, hunting, fishing, and juvenile and child welfare.

- *Infrastructure and Other Services:* The Department of Transportation's (DOT) 2001 proposed level of \$375 million (50 percent over 2000) will improve roads, bridges, highway safety and transportation services on Indian reservations. Within this total, \$349 million for the Indian Reservation Roads Program, (a 50-percent increase over 2000) will allow Tribes to address the estimated backlog of \$4 billion in needs on these roads and bridges. In addition, a \$5 million set-aside for Indian tribes within DOT's Access program will increase mobility and access to employment opportunities on reservations. To ensure that Native Americans have the skills to compete for transportation jobs, \$1 million will be dedicated for construction skills training. In addition, total funding to improve highway safety on Indian reservation roads will double with an additional \$1 million.

Of the BIA's total funds, \$32 million (20 percent over 2000) will be used to supplement DOT's funds by maintaining BIA and Tribal roads on reservations across the country, and \$32 million (more than twice the 2000 level) will be used to repair or replace dilapidated homes across Indian Country, to prevent family displacement.

The budget includes \$725 million (five percent over 2000) in HUD to enable Tribes and Tribal housing entities to create affordable

rental and homeownership opportunities, as well as develop the regulatory and legal framework necessary to facilitate economic revitalization and homeownership on Tribal lands. The budget establishes a new information hotline for Government-wide Native American programs funded out of the Indian Community Development Block Grant program.

The third year of the Interior and Justice Departments' joint law enforcement initiative, for which the budget proposes \$439 million in 2001 (31 percent over 2000), will continue to address high crime rates in Indian Country by providing more resources for officer hiring and retention, drug control and youth crime prevention programs, law enforcement equipment, construction of detention facilities, and crime reporting surveys.

The Environmental Protection Agency (EPA) will continue to provide technical assistance to Tribes on such activities as hazardous and solid waste removal, leaking underground storage tanks, and water protection. The budget increases the Tribal share of the Clean Water State Revolving Fund appropriation from 0.5 to 1.5 percent. Part of EPA's proposed \$188 million Tribal budget would also be used for increased Tribal general assistance grants to build institutional capacity for implementing Tribal environmental programs on Indian lands.

The Administration is committed to improving trust services and management through its trust reform efforts at the Interior Department. The budget proposes \$108 million (48 percent over 2000) for improved trust services in the BIA, for activities such as probate, real estate appraisals and other services, and cadastral surveys.

In addition, the Administration is committed to resolving disputed Indian trust fund account balances through informal dispute resolution and supports the unique government-to-government relationship that exists in Indian trust land management issues. After Tribal consultations, BIA submitted its recommendations to Congress in November 1997. Legislation reflecting these recommendations was proposed in 1998, but not enacted. The Department will continue efforts to resolve trust fund account balances.

The budget provides \$83 million for the Interior Department's (DOI's) Office of Special Trustee, including the trust management improvement project. Current activities include verifying the remaining individual Indian account data and converting these data to a commercial-grade accounting system. Ownership, lease, and royalty information related to the underlying trust assets will also be verified and converted to a recently acquired commercial asset management system.

As part of DOI's commitment to resolving trust land management issues, DOI worked with Congress in 1999 to repropose legislation to establish an Indian Land Consolidation program to address the ownership fractionation of Indian land. DOI began implementing three pilot projects in Wisconsin, in cooperation with Tribes, to purchase small ownership interests in highly fractionated tracts of land from willing sellers. In the nine months of this effort, more than 8,000 small ownership interests have been consolidated. The budget proposes \$13 million in 2001 for this program and DOI will work with Congress to get legislation enacted in the 106th Congress, limiting future fractionation.

Firefighter Health and Safety Initiative

Firefighters play a critical role in protecting the health and safety of the community, and in order to further protect their own health and safety, the Administration is proposing a new \$25 million pilot grant program that will assist needy communities in obtaining necessary health and safety equipment for their firefighting personnel. This program, administered by the Federal Emergency Management Agency, will help communities reduce firefighter injuries and fatalities, and improve their ability to effectively respond to fire emergencies.

Commitment to the District of Columbia

The Administration strongly supports the District of Columbia's right of self-governance and continues to work with the District to promote economic well-being and to advance the interests of the District. As part of the 1997 balanced budget agreement, the President proposed, and Congress enacted, a comprehensive financial restructuring plan for the District of Columbia. It relieved

the District of major financial burdens and laid the groundwork to restore the District's fiscal health. Due to prudent fiscal management and on-going efforts to build private investment, the District—facing bankruptcy only six years ago—produced budget surpluses in 1997 and 1998 and projects a third budget surplus in 1999. To maintain a balanced budget in the future, the District has launched major management reforms, cut spending, and directed a portion of budget surpluses to eliminate its accumulated deficit by 2000. If the District continues to balance its budget through 2000, it can regain full home-rule.

The budget includes \$486 million to implement the President's plan for District courts and corrections, including \$224 million to house the District's sentenced felon population. By December 2001, all adult-sentenced felons will be in the custody of the Federal Bureau of Prisons.

The Administration—through its departments and agencies—will continue to provide technical help and other assistance to the District in such areas as education and law enforcement. In addition, the Administration continues to assist the District in spurring neighborhood revitalization and economic development and in bolstering the District's long-term fiscal stability. In 2000, the Federal Government provided \$17 million to launch a college tuition program for District residents. This budget proposes to continue to fund the program at \$17 million.

For 2001, the budget provides \$38 million for economic development and infrastructure investments, including \$10 million for environmental remediation and site preparation of property to be used in an economically distressed neighborhood slated for economic development, \$3 million for the study and designs for a National Museum of American Music, and \$25 million for the Federal share of construction of a Metrorail station at the intersection of New York and Florida Avenues, in Northeast DC. This \$25 million will be matched by city and private funds to create an improved gateway into the Nation's Capital and revitalize the distressed neighborhoods surrounding the Metrorail site.

Building One America for the 21st Century

The President's vision of One America in the 21st Century is a diverse, democratic community in which we respect and celebrate our differences, while embracing the shared values that unite us. The President envisions an America based on opportunity for all, responsibility from all, and one community of all Americans. To reach that goal, he has asked all Americans to join him in a national effort to deal openly and honestly with our racial differences. Americans must improve their understanding of the history of race, and how this history contributes to conflicting views on race and racial progress held by Americans of color and white Americans. The President recognizes that, even as America rapidly becomes a truly multi-racial democracy, race relations remains an issue that too often divides our Nation and keeps the American dream from becoming a reality for everyone who seeks to take part through hard-work and responsibility.

In February 1999, the President established his Initiative for One America, the first White House office dedicated to ensuring a coordinated and focused strategy to close the opportunity gap that exists for many minorities and the underserved. The One America office builds on the important work done by the President's Initiative on Race in 1997 and 1998 by promoting the President's goals of educating the American public about race; encouraging racial reconciliation through a national dialogue on race; identifying policies that can expand opportunities for racial and ethnic minorities; and ensuring common access to health care and the broad enforcement of laws against discrimination. The Initiative for One America coordinates the work of the White House and Federal agencies to carry out the President's vision of One America and partners with non-government entities to increase private sector commitment, investment and action to increase opportunity.

The One America Initiative has hosted discussions and public forums on diversity and opportunity to a wide range of organizations, educational institutions, and communities all across the country. For example, it launched the Presidential Call to Action to the American Legal Community in a joint effort with Department of Justice officials and professionals to implement a nationwide strategic plan to increase opportunity and promote racial diversity in the legal profession. It also worked with the Department of Education to promote a Campus Days Dialogue program to discuss a variety of educational challenges and the importance of faculty leadership on the issue of diversity. This year, 620 educational institutions participated in the Campus Dialogue program. The Initiative also worked with local elected officials and advocacy organizations to develop a proactive strategy to address the sometimes volatile relationship between communities of color and law enforcement agencies.

The Administration has made progress in a range of program areas, including those listed below. Many others are listed throughout the budget.

For example:

- *Eliminating Racial and Ethnic Disparities in Health.* In February 1998, the President committed the Nation to an ambitious goal by the year 2010: eliminate disparities in six health areas where racial and ethnic minorities are disproportionately affected, while continuing the progress we have made in improving the overall health of the American people. As a key part of this effort, the budget includes \$35 million, a 17-percent increase over 2000, for demonstration projects (begun in 1999) to better address racial disparities in health.

Building One America for the 21st Century—Continued

- *Closing the Education Opportunity Gap.* Increases in funding for major education initiatives, including school construction and class size reduction, will significantly benefit minority groups. Other targeted programs also receive generous funding increases, including a \$823 million increase in the Hispanic Education Action Plan and a \$20 million increase in funding for Historically Black Colleges and Universities.

As these efforts continue, many other programs included by the President in the budget and described in these chapters will advance these goals to realize the potential of One America in the 21st Century.

8. ADVANCING UNITED STATES LEADERSHIP IN THE WORLD

Of course, international engagement costs money. But the costliest peace is far cheaper than the cheapest war.

President Clinton
August 1999

At the start of a new century, the United States has reached new heights of influence in the world. At the same time, the new challenges posed by rapid advances in technology and the opening of borders have increased our need to exercise this influence—more and more, what happens overseas affects our security, health, and prosperity at home.

Our Nation now has the greatest opportunity in its history to advance American interests and values while building a better and more peaceful world. However, doing so requires leadership and engagement. We need to work with others to prevent war and defuse crises, combat terrorism and counter the spread of weapons of mass destruction, deepen democracy and the rule of law, strengthen free market economies, protect the global environment, and fight poverty and diseases. For if the United States can do this, using its resources effectively and wisely, our citizens will be safer, our economy stronger, our world more stable, and our freedoms more secure.

In the past year, America's leadership was essential to the success of the NATO alliance in halting the ethnic cleansing of Kosovo's ethnic Albanians and containing the risk of wider war at the doorstep of our allies. Nearly a million Kosovars who fled in terror have returned to their homes and with our support, they have begun the difficult work of building a tolerant democratic society and a new economy. The United States has played a critical role in the strides made toward lasting peace in Northern Ireland and Sierra Leone and ending the bloodshed in East Timor. Our support has also been crucial

as Israelis, Palestinians, and others in the Middle East have taken brave steps toward forging a lasting peace there. The United States has worked to detect and counter terrorist threats, as well as to continue efforts with Russia and other former Soviet republics to halt the spread of dangerous weapons materials. We have also taken actions to advance global prosperity—bringing China into the global trading system and launching a new debt reduction initiative to help the world's most impoverished nations eliminate crushing debt burdens and reform their economies.

As we seek to build on these efforts, the 2001 Budget proposes several initiatives to further America's leadership in the world and address these and other challenges. During the coming year, the Administration intends to seek 2000 emergency supplemental appropriations to provide critical assistance to the people and Government of Colombia in their fight against narcotics traffickers. The supplemental, which is included in this budget, will help finance a multi-year strategy known as Plan Colombia, developed by the democratically-elected Government of Colombia. With this budget, the Administration is also requesting 2000 emergency supplemental appropriations for renewed initiatives to promote economic growth, stability, and democracy in Kosovo and across Southeast Europe.

For 2001, the budget requests increased funding for several priorities. Funding for international family planning assistance will total \$541 million, with added funding from several accounts amounting to an increase

of \$169 million above 2000. Funding for U.S. Government efforts to contain the global spread of HIV/AIDS has been increased by \$100 million, more than double the amount spent in 1999. These initiatives will respond to pressing prevention, health infrastructure, and treatment needs, but will also be used to leverage increased funding from other donors, and from developing countries themselves, for these critical objectives. Increased funding for urgent humanitarian and refugee assistance programs is also proposed in the budget.

Another 2001 priority is the \$1.1 billion proposed for enhanced security in our diplomatic posts, which includes a \$500 million increase over the 2000 level for initiatives that will further protect the men and women who serve America in our missions overseas. This request builds on last year's long-term proposal and is an essential step in the multi-year plan that is necessary to meet the Administration's commitment to the construction of secure diplomatic and consular facilities worldwide.

The budget also proposes an increase of \$241 million over the 2000 level to support UN peacekeeping missions around the world. U.S. funding for these missions is critical to the success of diplomatic efforts to end destructive and costly conflicts in Africa and elsewhere.

This chapter describes these and other initiatives in more detail, linking the budget resources of 2001 to our international policies and the Administration's commitment to protecting our national security, promoting prosperity, and advancing our values.

Protecting American Security by Promoting Peace and Democracy Abroad

The budget proposes a substantial increase for counter-narcotics efforts in Colombia. Colombia supplies an estimated 80 percent of the cocaine in the United States. Colombia's role in the world heroin and cocaine market is growing rapidly as the production of cocaine in Colombia has more than doubled between 1997 and 1999. The Colombian drug trade is controlled largely by paramilitary groups and insurgents who are engaged in a 30

year old civil war against the Government of Colombia.

Colombia President Andres Pastrana has devised a comprehensive, integrated plan, Plan Colombia, to address Colombia's narcotics and related political and economic troubles. As noted earlier, the budget proposes to increase assistance programs through 2000 emergency supplemental appropriations of \$954 million and 2001 new funding of \$318 million in the international affairs and other budget areas. Funds will be used for Colombia's counter-drug efforts and for other programs to help President Pastrana deepen democracy and promote prosperity. The proposal will enhance alternative development, strengthen civil justice and democratic institutions, and provide military assistance to the counter-narcotics effort. The Administration will also encourage U.S. allies and the international financial institutions to assist Colombia in implementing President Pastrana's Plan Colombia strategy. Strengthening stability and democracy in Colombia, and fighting the drug trade, is in America's national interest.

Kosovo: The budget proposes \$175 million to help the people of Kosovo build a democratic society and a stronger economy. The members of the European Union will bear the bulk of these costs, but the United States must also contribute. In May 1999, shortly after the conflict ended and peace was reestablished in Kosovo, the United States pledged \$556 million to address humanitarian needs, such as the provision of shelter, health care, and food aid for returnees and other urgent requirements. On November 17, 1999, the international community pledged a total of \$1.056 billion towards peace implementation, reconstruction and recovery, budget support, and humanitarian assistance, of which the U.S. Government pledged \$156.6 million, or 14.8 percent.

In 2001, resources will be used to help rebuild Kosovo's economy and society. A growing economy, with new employment opportunities, is critical if Kosovo is to overcome problems of crime and ethnic violence. Such assistance will create jobs for former refugees and provide incentives for segments of the population to lay down their arms. To address these issues, this assistance will help create

jobs and build a more stable and peaceful society. In conjunction with other donors, U.S. resources will provide working capital to stimulate economic activity. The budget also proposes 2000 emergency supplemental appropriations of \$624 million to address pressing requirements for Kosovo and South-east Europe. The funds will be used for economic and democratic reform activities in Kosovo, Croatia, and Montenegro, as well as to provide additional assistance of the democratic opposition in Serbia. The additional funding will also be used to provide critical support needed in 2000 for the UN Mission in Kosovo (UNMIK), and to build secure U.S. diplomatic facilities in Kosovo, Bosnia, and Albania.

Southeast Europe Initiative (SEI): Central to lasting peace in Europe is the political and economic integration of the Balkans into Europe and the global community. The budget requests \$428 million for this important initiative. Also critical to a peaceful future for Europe is the replacement of the Milosevic regime. For that reason, about \$96 million will help promote the democratic opposition in Serbia and provide assistance to Montenegro.

About \$6 million of U.S. assistance is intended to accelerate the integration of South-east Europe's countries into the global trading system by breaking down barriers to trade and investment. U.S. assistance will encourage economic reform, the rule of law, deepening of democracy, and adoption of international standards governing trade.

UN Reform and Contributions to International Peacekeeping: Peace and security operations of the United Nations directly support U.S. national interests. Peacekeeping has the capacity to separate adversaries, maintain cease-fires, facilitate the delivery of humanitarian relief, enable refugees and displaced persons to return home, demobilize combatants, and create conditions under which political reconciliation may occur and free elections may be held. In so doing, it can help nurture new democracies, lower the global tide of refugees, and prevent small wars from growing into wider regional conflicts which would be far more costly in terms of lives and resources. The budget proposes an increase of \$241 mil-

lion above the 2000 level of \$498 million for UN peacekeeping.

In recent years, there have been significant improvements in the management, efficiency, and effectiveness of the UN and other international organizations. UN Secretary General Kofi Annan has carried out numerous restructuring and consolidation measures, many closely conforming to U.S. proposals, and there have been solid advances within major specialized agencies to improve management.

The Administration is strongly committed to work with the Congress on a bipartisan basis to further advance the UN reform process. The Congress, with Administration support, has linked UN reform measures to U.S. payment of specific arrearage amounts in 2000. We will continue to use our influence to push for management improvements, organizational streamlining, and the necessary budget discipline to ensure zero nominal growth in UN and specialized agencies' budgets. We are also committed to working with other UN members to revise the scale of assessments—including a reduction in the rate at which the United States is charged for the UN regular budget, UN peacekeeping, and the large specialized agencies.

Expanded Threat Reduction Initiative (ETRI): The effort launched seven years ago, spurred by the bipartisan Nunn-Lugar legislation, to contain the spread of weapons of mass destruction (WMD) from the former Soviet Union and promote stability, has produced important results, helping to: deactivate nearly 5,000 nuclear warheads; eliminate nuclear weapons from Ukraine, Belarus, and Kazakhstan; strengthen the security of nuclear weapons and materials at over 100 sites; tighten export controls and detect illicit trafficking; and, engage over 30,000 former Soviet weapons scientists in productive civilian research. The recent conclusion of agreements between Georgia and Russia and between Moldova and Russia for the withdrawal of Russian troops creates the opportunity to help these countries address some of the costs associated with Russian force reductions, thereby strengthening the sovereignty of Georgia and Moldova and the stability of the region.

But more work needs to be done. The two major economies in the Newly Inde-

pendent States—Russia and Ukraine—continue to require substantial external support to sustain the necessary infrastructure to protect against the diversion of WMD nuclear, biological, and chemical—and related technology. Scientists, facilities guards, customs officers, and technical experts are underpaid, vulnerable to temptations for illicit trafficking of WMD and related materials—clearly a threat to our interests.

The \$974 million 2001 request for ETRI programs includes \$469 million in programs administered by the Department of Defense, \$364 million in those administered by the Department of Energy (DOE), and \$141 in those administered by the Department of State, a total that is \$85 million above the 2000 level of \$889 million. ETRI programs address nuclear security for existing weapons and delivery systems, protection and disposition of fissile materials, destruction of chemical weapons, military relocation and regional stabilization. Among the critical programs funded under ETRI are science centers and other programs to finance civilian research by former Soviet weapons experts, enhanced border control assistance to decrease the likelihood that critical weapons technologies or materials can be smuggled to other Nations, and programs to enhance regional security efforts in Georgia, Armenia, Azerbaijan, and Moldova. The proposed DOE request for ETRI includes a \$100 million initiative in Russia to expand protection of fissile material; accelerate closure of nuclear weapons production facilities; and, provide an alternative to continued plutonium reprocessing in Russia.

Middle East Peace: The 2001 requests for the Economic Support Fund (ESF) of \$2.3 billion and Foreign Military Financing (FMF) grants of \$3.5 billion will continue to support our efforts to promote progress and stability around the world, particularly the progress made recently in negotiations between Israel and its neighbors on a comprehensive peace for the Middle East. In emergency legislation, \$1.9 billion was provided in 1999 and 2000 to Israel, Jordan, Egypt, and the West Bank to support the Wye River and Sharm-el-Sheikh interim accords between the Israelis and Palestinians. For 2001, ESF levels for Israel continue the declining path started last year and levels of FMF military assistance increase, as

agreed to by the Administration and the Congress. The 2001 request of \$1.8 billion in ESF and \$3.4 billion in FMF programs for the Middle East will provide a strong supporting base for the next phase of negotiations between Israel and its neighbors.

Democracy Initiatives: In addition, the budget proposes increases for countries outside of the Middle East in both ESF and FMF. These funds will support the transitions to democracy that are emerging in Africa, including Nigeria, and in Indonesia, and will continue to support ongoing democratic reforms in Latin America. They will also support military modernization and increased civilian control over the military in eastern Europe, the states of the former Soviet Union, and Africa. Helping these nations build stable democracies will enhance America's own security and prosperity.

Transnational Threats: The proliferation of weapons of mass destruction, the globalization of drug trafficking, and the spread of crime and terrorism on an international scale present a continuing threat to United States and global security. U.S. diplomacy and law enforcement play a key role in stemming the spread of weapons of mass destruction to countries such as Libya, Iraq, Iran, Syria, and North Korea.

The Administration is strengthening its fight against terrorism by, among other things, increasing funding for the construction of new embassies overseas and continuing the ongoing worldwide program of physical security upgrades to our most at-risk posts. The budget also proposes a new initiative for the destruction of small arms abroad, which might otherwise be used by terrorists or others to foment local wars.

America must continue to lead against the spread of weapons of mass destruction. The Comprehensive Nuclear Test Ban Treaty (CTBT) remains an important element of the global nuclear nonproliferation regime. The Administration is committed to working to create the conditions for a successful vote to approve the CTBT in the Senate at the earliest possible date. We will continue to adhere to our long-standing moratorium on nuclear tests and urge other Nations to do the same.

The budget proposes \$194 million from the Congress to support multi-national efforts to combat the spread of weapons of mass destruction: the International Atomic Energy Agency's (IAEA's) safeguards regime, the Organization for the Prohibition of Chemical Weapons, and a global network of sensors to detect nuclear explosions. The budget includes funding for the Korean Peninsula Energy Development Organization, which has just signed contracts to construct two proliferation-resistant nuclear power reactors in North Korea. Before key components are shipped, North Korea will have to come into full compliance with its commitments to the IAEA and the Nuclear Non-Proliferation Treaty.

Promoting Prosperity to Advance Stability

Debt Forgiveness: The United States is committed to helping people in the world's poorest countries join the global economy and implement economic reform by expanding debt relief. At the Cologne Summit, the G-8 expanded the Heavily Indebted Poor Country (HIPC) initiative to: include more countries; provide deeper debt relief (up to 90 percent of bilateral debt); increase participation by the international financial institutions; and, increase the focus of the resources freed by debt reduction on economic reform, health, education, and other human needs. The President led this effort with a proposal that was largely adopted and remains at the forefront on the issue with his commitment to forgive 100 percent of debt owed to the United States by the poorest countries, a majority of them in sub-Saharan Africa. To fulfill the U.S. commitments, the Administration is requesting \$600 million for the HIPC program in 2001, 2002, and 2003: \$75 million to forgive about \$450 million in bilateral debt of the poorest countries; \$150 million for the HIPC trust fund, which will allow for further debt relief through the multilateral organizations; and, \$375 million in advance appropriations. The budget also includes \$37 million for the Tropical Forest Initiative to use debt relief mechanisms in support of conservation. In order to fund HIPC trust fund requirements for the remainder of 2000, the Administration is also proposing a fully offset 2000 supplemental appropriation of \$210 million.

Multilateral Development Banks

(MDBs): The MDBs play a prominent role in bringing developing and transition countries into the global economy through financial and technical assistance. Such a process not only helps lift people overseas from poverty and toward prosperity—it also creates new opportunities for U.S. businesses and workers and helps promote stability and enhance our security. As the largest shareholder in the World Bank and a significant shareholder in the other MDBs, the United States exercises considerable influence over the organizations' external lending policies and internal governance. The United States has been able to maintain this position despite lower levels of commitments, which have been reduced by forty percent since the mid-1990s. Beginning in 1998, the Administration and the Congress reached bipartisan agreement to reduce the level of MDB arrears. However, much of the progress in clearing MDB arrears was reversed by the 2000 appropriations process, with the overall arrears level rising from \$335 million at the end of 1999 to an expected \$451 million by the end of 2000. Increasing arrears limit the Administration's ability to engage other donors and gain agreement on important new policy measures and institutional reforms during new replenishment negotiations. The budget proposes to clear all MDB arrears by the end of 2003, with \$167 million in 2001 arrears payments. The budget also proposes \$1.2 billion for scheduled payments to these institutions, meeting all current commitments.

Trade Agreements: The Administration is committed to opening global markets and integrating the global economic system, which has become a key element of continuing economic prosperity here at home. The budget proposes significant increases for efforts by our trade negotiators to pursue open markets and fair, rules-based trading systems. The Administration will work within the World Trade Organization (WTO) to pursue the negotiating mandate for agriculture and services that were built into the Uruguay Round, develop consensus on the negotiating agenda for a new round of multilateral negotiations, work for China's membership in the WTO on the foundation of the historic bilateral agreement reached last November to open the Chinese market, and also pursue the accession to the

WTO of a number of other important trading partners. In doing so, the Administration will work to ensure that the benefits of trade are shared broadly across all sectors of society and do not come at the expense of core labor standards or the environment.

A key priority of the Administration, in addition to securing passage of permanent Normal Trade Relations with China, is to assure the enactment of the trade legislation that passed in the House and Senate addressing trade benefits for Africa, extending the Generalized System of Preferences (GSP), and enhancing the Caribbean Basin Initiative (CBI). The Administration has also submitted legislation that would extend new benefits to the Balkan countries. The budget supports a 10-year initiative for Africa, five-year initiatives for the CBI and Balkan proposals, and for GSP, a 33-month extension is proposed to be added to the 27-month extension that passed in the first session of the 106th Congress.

Trade and Investment Promotion: The budget proposes an increase of over \$200 million in 2001 for the Export-Import Bank. To a large extent, this increase will enable the Bank to continue to increase the level of U.S. exports it supports given the upward revision in the cost of U.S. Government international lending in the wake of the recent global financial crisis. Some of this increase will also provide additional resources for the Export-Import Bank to finance the export of clean energy technologies. Finally, the budget proposes an increase in Export-Import Bank administrative expenses, part of which will finance a modern information system critically necessary to improve the delivery of the Export-Import Bank's insurance product to U.S. exporters.

The budget also proposes increased resources for the Overseas Private Investment Corporation (OPIC) and the Trade and Development Agency (TDA). An additional \$4 million in administrative resources for OPIC will help modernize critical information systems, and improve vital portfolio, environmental, and worker rights monitoring. An additional \$10 million for TDA will expand its capacity to conduct feasibility studies on international projects that can lead to

U.S. exports, including clean energy projects and increased feasibility studies in Africa.

Providing Humanitarian Assistance

The budget continues America's tradition of responding generously to address and mitigate human suffering caused by natural and man made crises. The budget increases funding for both the State Department's migration and refugee assistance programs and the U.S. Agency for International Development's (USAID's) international disaster assistance and food aid programs. The budget provides increases of \$33 million for the migration and refugee assistance programs and \$18 million for USAID's international disaster assistance programs over 2000 levels. These increases are justified given continued humanitarian needs as a result of crises in Sudan, Burundi, Angola, Afghanistan, the North Caucasus and elsewhere, and forecasting that indicates increasing numbers of natural disasters with devastating human consequences. The budget also funds bilateral demining efforts to reduce the dangers to civilians caused by land mines in areas of former conflict.

Developing Global Programs that Help Us by Helping Others

In our increasingly interconnected world, it has become clear that many of the problems faced by the developing world are actually global problems that threaten the health and well being of all people, including our own. That is why the budget includes a number of foreign assistance initiatives, under the auspices of USAID and other Federal agencies, that are aimed at problems that directly affect the United States.

International Family Planning: It is estimated that 34,000 children under age five in developing countries die every day, and that over 580,000 women die each year of causes related to pregnancy and childbirth. By helping women bear their children at the healthiest times for both mother and baby, family planning helps prevent the deaths of children and mothers; it also prevents unintended pregnancies and abortion. By helping countries improve the health and prosperity of their citizens and stabilize their population growth, U.S. international family planning assistance

also helps to ensure that we have increasingly stable and prosperous partners in the developing world. Therefore, the budget funds an increase of \$169 million for international family planning assistance programs, bringing total resources for these programs to \$541 million. It also removes unnecessary and harmful restrictions that were imposed on the implementers of this assistance during the 2000 appropriations process.

HIV/AIDS: The budget provides a second consecutive \$100 million Government-wide increase for programs that address the scourge of AIDS, which has become one of the most deadly diseases in the developing world. USAID will implement \$54 million of this increase, almost doubling USAID's global AIDS effort since 1999. The bulk of this initiative will address the spread of HIV/AIDS in Africa, where AIDS has become the number one cause of death, and where infection rates in some countries exceed 30 percent. However, the initiative will also address AIDS in other countries where increasing infection rates are of particular concern. This significant increase in resources over the past two years should leverage additional resources from other donors and from the governments of developing countries. (See Chapter 3, "Strengthening Health Care," for additional details on the Global HIV/AIDS Initiative.)

Vaccines for Developing Countries: In his September 1999 address to the UN General Assembly, President Clinton called for a concerted effort to make vaccines more widely available in the developing world, where more than three million children die each year from vaccine-preventable diseases. As an important first step, the budget proposes a \$50 million contribution to the newly-established Global Alliance for Vaccines and Immunizations (GAVI). These funds will be used to purchase existing vaccines for Hepatitis B, Haemophilus influenzae type B, and Yellow Fever, and to ensure their safe delivery. The U.S. contribution to GAVI is expected to leverage additional resources from other donors. This initiative will be complemented by increased funding for the National Institutes of Health to accelerate the development of vaccines for major infectious diseases. In addition, the budget proposes a new tax credit that will encourage the development of vaccines for diseases that occur pri-

marily in the developing world. (See Chapter 3, "Strengthening Health Care," for further details on this tax credit.)

Clean Energy and Tropical Forests: The budget includes \$50 million for international affairs agencies to promote the use of clean energy overseas. Of this total, USAID will use \$30 million for technical assistance for legal and regulatory reform, and to expand training programs for energy sector policy makers and regulators. The Export-Import Bank intends to use \$15 million to assist in the financing of clean energy technology exports, especially renewable energy exports, while TDA will use \$5 million to fund feasibility studies and other project planning activities to promote U.S. exports of clean energy technology.

The budget includes \$45 million for international affairs agencies to increase U.S. support for the preservation of tropical forests and other biologically-significant areas. Of this amount, \$33 million will be added to USAID biodiversity resources (for a total of \$100 million), allowing USAID to increase the work it does with host countries. The other \$12 million will be added to Treasury Department resources (for a total of \$37 million) for the budget cost of debt swaps and debt reduction agreements that require beneficiary countries to devote a portion of their own resources to tropical forest conservation.

Peace Corps: The volunteer programs of the Peace Corps promote mutual understanding between Americans and the people of developing nations, while providing technical assistance in education, health, the environment, agriculture, and small business development. The agency also responds to humanitarian crises and natural disasters through its Crisis Corps program. The budget proposes \$275 million, a 12-percent increase over the 2000 Budget for the Peace Corps. This increase will provide opportunities for 4,200 Americans in 2001 to enter service as new volunteers. With these levels, the Peace Corps can continue toward its goal of placing a total of 10,000 volunteers early in the next century.

Development Foundations: The African Development Foundation (ADF) and the Inter-American Foundation (IAF) fund indigenous grassroots development efforts. The ADF's as-

sistance helps generate new jobs, protect Africa's environment, and strengthen basic democratic values and civil society. The budget proposes to increase funding for the ADF to support new initiatives for Nigeria and for AIDS/HIV awareness programs. The IAF provides social investment grants to local private sector partners, conducts joint ventures with Latin American corporate foundations, and promotes philanthropy and corporate social responsibility. The budget reverses the 2000 congressional appropriations action to phase out U.S. Government funding of the IAF by proposing to restore funding for the IAF to pre-2000 levels. This action is based on the significant reforms that have been adopted by the IAF, including: improved capabilities to effectively monitor projects and identify quality grant proposals; a greater emphasis on corporate and business involvement in the development process; and, increased involvement, including final approval authority, of U.S. embassies in grant making decisions.

Rightsizing and Protecting our Representation Abroad

Advisory Panel on Overseas Presence: In the aftermath of the embassy bombings in Nairobi and Dar Es Salaam in 1998, and in response to recommendations of Admiral Crowe's Accountability Review Boards, the Secretary of State established an expert panel, chaired by Lewis Kaden, to recommend improvements with respect to the U.S. presence abroad. The panel released its report in November 1999. Among other recommendations, the panel reiterated the need for a sustained, multi-year program of investment in overseas facilities and security measures. The Administration has initiated a thorough review of recommendations contained in the Kaden panel's report including an examination of the U.S. Government's overseas presence needs and the current structure of financing and management for overseas facilities. The Administration will continue to work with Congress in a bipartisan manner to address the continuing challenge of making our overseas posts secure.

The budget supports a strong U.S. presence at over 250 embassies and other posts overseas, promoting U.S. interests abroad and protecting and serving Americans by providing consular services. This work will be aided

by an Administration review of the overseas presence of all agencies as recommended in the report of the Advisory Panel on Overseas Presence.

Effective diplomacy is the foundation of our ability to meet foreign policy goals. The work of the Department of State and U.S. missions supports the aims of American foreign policy, and anticipates and helps to prevent threats to our national security. Overseas posts serve as the administrative platform for more than 30 other U.S. agencies with personnel abroad, including USAID and the Departments of Defense, Justice, Commerce, Agriculture, and the Treasury.

Facility Vulnerability: Protection of American and foreign national employees who work abroad in U.S. Government facilities remains a top priority in the 2001 Budget. The budget proposes a total of \$1.1 billion for embassy security initiatives, including \$500 million for new State Department and USAID diplomatic facility construction, \$200 million for additional steps to protect existing buildings from terrorist attack, and \$400 million for maintenance of security readiness, including construction of a new Center for Anti-terrorism and Security Training. In total, this represents an increase of over \$500 million, nearly doubling the 2000 enacted level for enhanced security measures. The budget continues the Administration's commitment to a long-term program of overseas facility construction including additional resources in future years necessary to fulfill the Administration's strategy to effectively and efficiently meet America's security needs.

State Department Operations: The budget proposes \$3.2 billion in 2001 for the State Department, including public diplomacy and arms control activities. This funding level will maintain the Department's worldwide operations, continue efforts to upgrade information technology and communications systems, and accommodate increased security and facility requirements at posts abroad. It will also provide for additional technology and training investments as recommended by the Overseas Presence Advisory Panel.

USAID Operating Expenses: The budget proposes \$520 million for USAID operating expenses. This is a \$16 million increase over the 2000 level (excluding the \$15 million for the new mission in Dar Es Salaam). The 2001 increase is partly for information technology, including full implementation of the “off-the-shelf” financial management system. These re-

maintaining information technology improvements are critical to USAID’s plan to fully comply with all Government-wide financial management requirements in 2001. This funding level will also help maintain work force levels necessary to effectively manage USAID’s overseas programs.

9. SUPPORTING THE WORLD'S STRONGEST MILITARY FORCE

The more we ask of our Armed Forces, the greater our obligation to give them the support, training, and equipment they need. We have a responsibility to give them the tools to take on new missions while maintaining their readiness to defend our country and defeat any adversary; to make sure they can deploy away from home, knowing their families have the quality of life they deserve; to attract talented young Americans to serve; and, to make certain their service is not only rewarding, but well rewarded from recruitment to retirement.

President Clinton
October 1999

At the dawn of this new century, our Nation is in many ways safer and more secure than ever before. The Cold War is over and the once-constant threat of global warfare continues to recede. In this time of relative stability, the United States is strengthening its partnerships with countries that only a decade ago were our sworn adversaries. Yet, despite these remarkable events, the United States still faces enemies who would strike against this Nation using traditional military force or with emerging and increasingly complex weapons of terrorism.

The U.S. military remains the foundation of the Nation's security and defense strategy. As the global leader of the international community, the United States must keep its military ready and modernize its forces to maintain technological advantage. As a Nation, we must provide our military with the necessary support to carry out each mission.

In the past year, President Clinton took significant steps to ensure that our Nation's military is fully prepared to meet the challenges of this new century. He initiated

a long-term, sustained increase in defense spending by providing additional resources of \$112 billion over six years to protect our high level of military readiness and to procure modern and effective weapons systems.

Recently, the U.S. military demonstrated its superior readiness and capability by successfully completing operation Allied Force/Noble Anvil in Kosovo. Our triumph in Kosovo put an end to the vicious ethnic cleansing in Kosovo, forced the withdrawal of all Serbian military, paramilitary, and police forces from the province, permitted the safe and free return of all refugees, and established an international presence to secure freedom and peace within the province.

The 2001 Budget will ensure that military capability remains first rate for years to come. It also provides significant resources to ensure that we keep pace with the latest advances to protect against and prepare for new and emerging threats, including the potential use of chemical and biological weapons, other weapons of mass destruction, and efforts to weaken the critical infrastructure of the Nation.

The Quadrennial Defense Review

The military's responsibilities have become more complex and diverse in the post-Cold War era. In 1997, the Department of Defense's Quadrennial Defense Review (QDR) embraced a defense strategy designed to respond to the following threats:

- regional dangers, such as coercion and large-scale cross border aggression, as well as military challenges created by failed states, as in the case of Yugoslavia;
- the proliferation of advanced conventional weapons and nuclear, biological, and chemical weapons technologies and their delivery systems, which can be used by the military forces of other nations or by terrorists;
- transnational dangers, such as the spread of illegal drugs, organized crime, terrorism, uncontrolled refugee migration, and threats to the environment; and,
- direct attacks on the U.S. homeland from weapons of mass destruction, including nuclear, chemical, and biological weapons, terrorism, and information warfare.

The Department's next QDR in 2001 is an opportunity to develop long-term national security planning in this more complex and diverse threat environment. Planners must think broadly about how to maintain and advance our capabilities and take full advantage of rapid technological advances. The next QDR offers a vehicle for updating doctrine, force structure, and weapons systems by investing in quantum-leap capabilities and technologies.

This budget sustains the current high levels of military readiness; increases procurement of modern, effective weapons systems; and, provides pay, benefits, and quality of life improvements for our servicemen and women, including a major initiative to reduce servicemembers out-of-pocket housing costs. In doing so, it also fully supports the goals set forth in the Department of Defense's (DOD) most recent Quadrennial Defense Review (see Table 9-1). In particular, it provides significant resources for four critical areas:

- enhancing the military's ability to respond to crises with robust funding for training, spare parts, and weapons maintenance activities critical to unit readiness;
- building for the future by acquiring advanced weapons such as the F-22 fighter aircraft;
- investing in research, equipment and training to prepare the military to deter and respond to emerging threats such as weapons of mass destruction; and,
- supporting military personnel and their families by enhancing their quality of life, thereby strengthening recruitment and retention.

As the Nation's Armed Forces prepare to meet the many challenges of tomorrow, it is equally vital to ensure that resources enable our military forces to meet the missions of today. For this reason, the President has determined that additional resources are necessary to cover the costs of contingency operations in Bosnia, Kosovo, and Southwest Asia. In addition, the Administration is proposing additional resources to mitigate the impact of higher fuel costs.

Providing the Necessary Funding

The Administration has carefully calibrated the defense budget to respond to evolving military needs. In fact, since 1993, the President has consistently increased the defense budget to meet these needs. Last year's defense budget request included an increase of \$112 billion for the 2000-2005 period to enhance these capabilities.

For DOD this year, the budget proposes discretionary funding of \$292.2 billion in budget authority and \$278.6 billion in outlays for 2001. This represents an increase of \$11.3 billion over the proposed 2000 level (see Table 9-2), and \$4.8 billion over the 2001 level assumed in the 2000 Budget. During the 2001-2005 period, funding for DOD will total \$1,516.6 billion, an increase

Table 9-1. Military Force Trends

	1990	2001	QDR Target
Army:			
Divisions (active/National Guard)	18/10	10 ¹ /8 ²	10 ¹ /8 ²
Air Force:			
Fighter wings (active/reserve)	24/12	12+/7+	12+/8
Navy:			
Aircraft carriers (active/reserve)	15/1	12/0 ³	11/1
Air wings (active/reserve)	13/2	10/1	10/1
Total battle force ships ⁴	546	316	306
Marine Corps:			
Divisions (active/reserve)	3/1	3/1	3/1
Wings (active/reserve)	3/1	3/1	3/1
Strategic nuclear forces:			
Intercontinental ballistic missiles/warheads	1,000/2,450	550/2,000	500/500 ⁵
Ballistic missile submarines	31	Not over 18	14 ⁵
Sea-launched ballistic missiles/warheads	568/4,864	432/3,456	336/not over 1,750 ⁵
Heavy bombers	324	96 ⁶	92 ^{6,7}
Military personnel:			
Active	2,069,000	1,381,600	1,367,600
Selected reserve	1,128,000 ⁸	865,700	837,200

¹Plus two armored cavalry regiments.

²Plus 18 separate brigades (15 of which are at enhanced readiness levels).

³The JFK was redesignated as an active duty carrier to meet forward presence commitments and to stabilize rotation plans to meet active duty OPTEMPO and PERSTEMPO requirements.

⁴Includes active and reserve ships of the following types: aircraft carriers, surface combatants, submarines, amphibious warfare ships, mine warfare ships, combat logistics force, and other support ships.

⁵Upon entry-into-force of START II.

⁶Does not include 95 B-1 bombers dedicated to conventional missions.

⁷Does not include five additional attrition reserve B-52s added by the Air Force in 1999.

⁸Does not include 25,652 Selected Reserve personnel called to active duty under Title 10 U.S.C. Section 6736 for Operation Desert Shield/Storm.

of \$11.8 billion above the levels assumed for these years in the 2000 Budget. These additional resources allow DOD to meet its critical readiness, personnel, and modernization needs. The budget also proposes emergency supplemental appropriations totaling \$2.3 billion to cover 2000 Kosovo operations, purchase a support aircraft for the Foreign Emergency Support Team, fund DOD's portion of increased assistance to Colombia, support U.S. operations in East Timor, and repair buildings damaged by Hurricane Floyd.

Enhancing Military Readiness and Operations

Ensuring Adequate Resources: Maintaining the current high levels of readiness is our

top defense priority. Building on the major increases contained in the President's defense funding plan of last year, the budget provides a \$5.4 billion increase in 2001 and an \$11.0 billion increase over five years, as compared to 2000 Budget funding levels for the same time period. These resources will enable the Services to support unit operations and joint exercises, meet their required training standards, maintain their equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment.

DOD continues to monitor its current and future military readiness through the Senior Readiness Oversight Council and the Joint Monthly Readiness Review process, which

Table 9-2. Department of Defense Funding Levels

(Budget authority, in billions of dollars)

	1993 Actual	1999 Actual	2000 Estimate	2001 Proposed	Change: 1993 to 2001	Change: 2000 to 2001
Defense Discretionary Program Level	262.4	274.6	280.9	292.2	+29.8	+11.3

ensure that the senior DOD leadership remains well informed about force preparedness issues.

Ensuring Successful Contingency Operations: The budget proposes \$4.4 billion in 2001 for ongoing contingency operations—limited military operations in conjunction with our allies—in Southwest Asia, Bosnia, and Kosovo. Congressional approval for this funding is essential to preserve DOD’s core operation and maintenance programs. In the absence of congressional approval, DOD would have to redirect funds from core programs, running the risk of undermining the readiness of our fighting forces.

Improving Military Recruitment: Sustained effective recruiting is essential for the U.S. military to maintain a force with the appropriate distribution of skills and experience. Funding for active duty recruiting and advertising has been increased to all-time highs to ensure that the Armed Forces achieve their recruiting goals in 2000 and 2001. These increases are necessary to attract qualified applicants at a time when the economy is growing, unemployment is low, and the number of high school graduates attending college is on the rise.

Shaping the Strategic Landscape Through Arms Control and Cooperative Threat Reduction: The President remains firmly committed to reducing the threat from weapons of mass destruction (WMD) through arms control and cooperative threat reduction efforts. To that end, the Strategic Arms Reduction Treaty (START) process remains a high priority of U.S. foreign, security, and non-proliferation policy. While implementing START I, the Administration continues its work to bring the START II treaty into force and to

begin negotiation of further strategic arms reductions following Russian ratification of START II.

Furthermore, the Administration is discussing with Russia modifications to the Anti-Ballistic Missile Treaty that would support the possible deployment of a limited national missile defense system to counter threats from hostile rogue nations without undermining strategic stability or deterrence. In addition, the Administration will work with members of the Senate to gain ratification of the Comprehensive Test Ban Treaty and maintain its leadership in international arms control issues. The Administration also is committed to seeking a Protocol that will enhance transparency and help strengthen compliance with the Biological Weapons and Toxins Convention.

In addition, the Administration continues its substantial threat reduction assistance programs in Russia and other states of the former Soviet Union to mitigate the danger posed by WMD, the proliferation of their fissile material components, and the scientific expertise behind them. The budget proposes nearly \$1.0 billion for programs managed by DOD and the Departments of Energy (DOE) and State for this comprehensive and aggressive program. The DOD portion of this effort totals \$469 million.

Countering Asymmetric Threats: The budget increases funding to enhance the Department’s capability to counter asymmetric threats such as terrorism, proliferation and use of WMD, and threats to our critical infrastructure. Adversaries are expected to rely increasingly on these unconventional strategies to offset U.S. military superiority. The budget provides over \$5 billion for programs to combat

terrorism. Enhancements include improved awareness and training programs, worldwide vulnerability assessments, parallel standards for force protection, and increased resources for offensive means to deter, defeat, and respond to terrorist attacks wherever they may occur. Funding of nearly \$1 billion for counterproliferation and defense against WMD programs improves our ability to locate and destroy chemical and biological weapons before they can be used and to defend against and manage the consequences of a WMD attack. The budget also proposes increased resources to protect critical infrastructures that support national security requirements, bringing this funding to almost \$1.5 billion.

Executing Counter-drug Programs: DOD participates in the National Drug Control Strategy to stem the flow of illegal drugs into the country and to reduce demand. DOD's primary missions are: assisting domestic and foreign law enforcement in eliminating drug supply sources, detecting and monitoring aerial and maritime transit of illegal drugs, collecting and analyzing foreign intelligence, and supporting the activities of the National Guard under State counter-drug programs. Also, DOD continues to fight illegal drug use in the military through prevention, education, and testing. The budget proposes \$1.1 billion for DOD's counter-drug efforts. In particular, DOD is actively contributing to a program to help the Colombian government combat the growing threat of drug production and trafficking. DOD's assistance will significantly reinforce President Andres Pastrana's democratically elected government's efforts to eliminate the narco-traffickers' threats to local and regional stability.

Providing Humanitarian and Disaster Assistance: The budget increases funding for DOD to respond to international humanitarian crises and disasters. U.S. military forces' global presence and unique capabilities enable it to provide needed assistance at the request of the President, the Secretary of State or regional commanders, and in coordination with other Federal agencies and non-governmental organizations. DOD's quick response in Central and South America to Hurricane Mitch saved thousands of lives and helped our neighbors to the South recover their livelihoods, ultimately contributing to the stability of the re-

gion. The proposed \$64.9 million for the Overseas Humanitarian, Disaster, and Civic Aid account will fund humanitarian activities carried out by military personnel; transportation and distribution of relief supplies and equipment; and, humanitarian demining and mine awareness training programs in 26 countries.

Maintaining the Nation's Nuclear Deterrent: Nuclear weapons serve as a bulwark against an uncertain future, a guarantee of our security commitments to allies, and a disincentive to those who would contemplate developing or otherwise acquiring their own nuclear weapons.

The budget proposes \$4.7 billion for DOE to maintain the safety and reliability of the nuclear weapons stockpile without nuclear testing. As part of this program, DOE is building non-nuclear test facilities and developing computer codes to simulate nuclear explosions to predict the performance of the weapons and help assure their safety and reliability.

In October 1999, Congress reorganized DOE, creating the National Nuclear Security Administration (NNSA) to administer the Department's national security functions. The budget adopts a new account structure to reflect this reorganization. However, much work remains to transfer specific projects, programs, and assets to the new NNSA, and the Administration will continue to work on this implementation and will inform the public and Congress of progress in this area in accordance with the 2000 National Defense Authorization Act.

Modernizing the Force to Win Future Wars and Successfully Execute Contingency Missions

Preparing Our Armed Forces Through Modernization: Maintaining the military forces that are necessary to deter and win wars and to successfully execute all contingency missions that may arise requires a healthy modernization program combined with a concerted effort to take advantage of the emerging Revolution in Military Affairs (RMA). In the 1970s and 1980s, the Nation invested heavily in a wide range of equipment, including fighter aircraft, attack submarines, surface ships, helicopters, and armored vehi-

cles. This investment enabled us to reduce weapons purchases and total defense spending in the early 1990s as the Cold War ended. But the equipment bought in those prior two decades—the backbone of today's forces—is approaching the end of its anticipated service life and must be replaced. As these systems age, keeping them combat-ready becomes more difficult and costly, while their ability to dominate the battlespace with ease has decreased. Therefore, weapons system modernization—both in the form of upgrades to existing systems and in research, development, and procurement of completely new systems—continues to be a high Administration priority.

An integral part of our modernization program is a long term effort to transform the military. This transformation will capitalize on the emerging RMA made possible by rapid advancements in technology. The RMA's goal is to effectively exploit technological advances through innovative operational concepts and new organizational arrangements, thereby allowing U.S. forces to be smaller, faster, more agile, more precise, more lethal, and better protected.

The last QDR determined that the Department needs roughly \$60 billion per year in weapons procurement funding, beginning in 2001, to modernize U.S. forces and maintain the decisive advantage manifested by equipment already in the force. The budget achieves that goal by providing \$60.3 billion for the 2001 procurement program, \$6.1 billion more than the 2000 level.

In addition, the budget provides \$7.5 billion (as part of a total Research, Development, Test and Evaluation, or RDT&E, funding level of \$37.8 billion) to fund basic and applied research and development of advanced technologies. The Science and Technology (S&T) program will lay the groundwork for fielding next-generation systems and will help U.S. forces avoid technological surprise from future adversaries. S&T funding supports several interagency initiatives, including Critical Infrastructure Protection, support to civil authorities for preparedness against WMD,

Nanotechnology, and Information Technology. The Administration has supported these S&T programs strongly in the past seven years, providing funding comparable to that during the Cold War. S&T activities—and the educational activities that they support directly and indirectly—also are vital to the Nation's strength in engineering, mathematics, and computer science.

Modernizing Ground Forces: Army modernization efforts will address the need to maintain a force capable of accomplishing a wide range of missions from contingencies, such as operations in Kosovo and Bosnia, to its primary mission of defeating adversaries in a major theater war. To that end, the budget supports the initial year of a plan to implement a fundamental transformation of units so that they can deploy more easily than heavy tank and mechanized infantry divisions, yet possess greater lethality than light infantry divisions. Lessons learned from experiments in the next year will dictate the scope and pace of the transformation. During 2001, the Army plans to award the initial contract for the Medium Armored Vehicle (MAV), the cornerstone of the transformed units. The budget proposes \$542 million in 2001 and \$4.3 billion over the 2001–2005 period for the MAV.

Another key element of this transformation includes modernization programs to incorporate digital communications equipment into weapons systems to strengthen battlefield planning and execution. This and other upgrades to existing combat equipment will allow our ground forces to maintain a clear advantage over potential opponents. Furthermore, the Army will extend the useful life and improve battlefield performance of primary combat systems by integrating new navigation and data transfer technology, improving weapons and targeting systems, and augmenting vehicle protection systems. For example, the budget proposes \$513 million to upgrade the Abrams tank, \$381 million to improve the Bradley Fighting Vehicle, and \$744 million to procure Apache Longbow helicopters.

Combating Emerging Threats

Emerging threats such as weapons of mass destruction (WMD) and cyberattack challenge traditional concepts of national security. Although the Department of Defense plays a key role in protecting the Nation from these asymmetric threats, a comprehensive defense demands the expertise and participation of many agencies throughout the Government. The Administration has worked to strengthen and coordinate each agency's contribution to this effort. Funding to combat terrorism overall has steadily increased over the past four years—up by 40 percent—while funding for new missions such as WMD preparedness and critical infrastructure protection has doubled in that time. The 2001 Budget proposes increases in each of these areas:

Terrorism: Both domestic and international terrorism continue to threaten the security of American citizens. The budget provides \$9 billion to combat terrorism, of which \$5 billion would support the Defense Department's terrorism-related and force protection efforts; \$1 billion would fund ongoing law enforcement activities in the Department of Justice; \$1 billion would fund security initiatives for our embassies overseas; and, \$100 million would support recommendations of the White House Commission on Aviation Safety and Security for explosives detection equipment.

Weapons of mass destruction preparedness: The budget sustains the Administration's commitment to programs to deter terrorist incidents involving chemical, biological, radiological, or nuclear weapons and to manage the consequences should such an incident occur. Of the total for combating terrorism, the budget proposes \$1.4 billion, including \$300 million for programs to train and equip first responders to manage a WMD incident; \$140 million to prepare for the health and medical consequences of an incident; and, \$145 million for specialized Federal response teams in the Departments of Defense, Health and Human Services, Energy, and others. The budget also expands research and development (R&D) efforts for tools and techniques to prevent, detect, and respond to the release of a WMD. Initiatives include \$30 million for the Department of Agriculture to protect the security of the Nation's food supply and \$127 million for expansion of laboratory infrastructure at the Centers for Disease Control and Prevention.

Critical infrastructure protection/cyber crime: The budget proposes over \$2 billion for critical infrastructure protection. These funds support a national effort to assure the security of infrastructures in both the Government and the private sector that are necessary to ensure our national security, economic security, and public health and safety. The proposed funding for 2001 represents a 15-percent increase over 2000 funding, including a 30-percent increase for R&D programs to develop the tools needed for effective infrastructure protection. Of the total, \$1.7 billion protects Federal systems and ensures our ability to provide essential Government services to the public. About \$300 million funds agency efforts to provide assistance to the private sector, where most of the Nation's critical infrastructure resides. New efforts include \$50 million to establish an R&D institute, the Institute for Information Infrastructure Protection, to work collaboratively with industry on new infrastructure protection technologies and a \$25 million program to ensure availability of highly-trained information security personnel in Federal agencies.

The centerpiece of the Marine Corps modernization program is the V-22 tilt-rotor aircraft that will replace aging helicopters now used to transport troops and equipment. The budget provides \$1.2 billion to procure 16 V-22s, which will have increased range, payload, and speed to significantly enhance Marine Corps tactical operations.

The budget also funds critical development programs which will be procured in the middle of this decade, including \$614 million

for the Army's Comanche helicopter for armed reconnaissance, and \$138 million for the Marine's Advanced Amphibious Assault Vehicle.

Modernizing Naval Forces: The budget continues procurement of several ship classes, including \$3.1 billion for three DDG-51 Aegis Destroyers, and \$1.5 billion for two LPD-17 Amphibious Transport Dock ships. The Navy budget funds modernization of the nuclear aircraft carrier fleet by providing \$4.1 billion to

procure the tenth Nimitz-class nuclear aircraft carrier and \$700 million to fund the first phase of refueling and modernization efforts for the second Nimitz-class carrier. This overhaul will enable the ship to stay in service for another 25 years. The budget also provides funds to procure the third Virginia-class nuclear attack submarine. In addition, the Navy is undertaking long-term development efforts to design the next generation of destroyers and aircraft carriers, to be procured in the middle of this decade. Both of these new ship classes will take advantage of innovative technologies and will be less expensive to operate than their predecessors.

To defend against missiles and aircraft, the budget continues procurement of the Standard Missile. The budget also supports the development of the Tactical Tomahawk, an improvement to the current Block III version of the Nation's premier sea-based land attack missile. The budget supports investments in ship self-defense to provide close anti-air defense for surface ships, and in gun and missile technologies to improve the Navy's delivery of fire support to Marines and soldiers ashore.

Modernizing Air Forces: For the United States to maintain its ability to dominate battles, substantial investment in new tactical combat aircraft is necessary. The budget supports three new aircraft programs. First, it provides \$3.1 billion for production of 42 F/A-18E/F Super Hornets, which will become the Navy's principal fighter/attack aircraft. Second, it funds procurement of the first production lot of 10 F-22 Raptors, the Air Force's new air superiority fighter, at a cost of \$2.5 billion. Full-rate production of the F-22 should be achieved early in this decade. Third, \$857 million is provided to start advanced development and to continue research into new materials and manufacturing processes for the Joint Strike Fighter (JSF). The JSF is DOD's largest, most ambitious tactical aircraft program and is designed to produce a family of aircraft for the Air Force, Navy, and Marine Corps. It is scheduled to start replacing about 3,000 aging aircraft (F-16s, F/A-18C/Ds and AV-8Bs) in 2005.

Joint missile procurement programs include the Advanced Medium Range Air-to-Air Mis-

sile and the Joint Standoff Weapon. Procurement continues for the Joint Direct Attack Munition—an inexpensive guidance kit which transforms unguided bombs into accurate munitions. In addition, the Navy's program to upgrade the guidance and ordnance sections of its Standoff Land Attack Missiles continues. The budget also funds RDT&E for various joint munitions programs of the future, such as the AIM-9X Sidewinder air-to-air missile and the Joint Air-to-Surface Standoff Missile.

Defending Against Strategic Ballistic Missiles: The Administration intends to determine in 2000 whether to deploy a limited National Missile Defense (NMD) against ballistic missile threats to the United States from rogue nations. This decision will be based on an assessment of four factors: (1) whether the threat is materializing; (2) the status of the technology based on an initial series of rigorous flight tests, and the proposed system's operational effectiveness; (3) whether the system is affordable; and, (4) the implications that going forward with NMD deployment would hold for the overall strategic environment and our arms control objectives, including efforts to achieve further reductions in strategic nuclear arms under START II and START III. The budget proposes \$1.9 billion in 2001 for development, procurement, and construction of a NMD system to defend all 50 States against a limited ballistic missile attack. The budget includes sufficient funding so that if the Administration decides in 2000 to proceed with deployment of a limited system, the resources will be available to quickly proceed toward a 2005 initial capability. The Administration's long-range defense plan now provides a total of about \$10.4 billion in 2001–2005 for NMD. This plan includes additional funding to expand the NMD capability to counter the expected rogue threat.

Developing Missile Defense Technologies and Defending Against Theater Ballistic Missiles: The budget proposes \$2.8 billion for other missile defense technologies and systems, including \$1.9 billion for theater systems to defend against missiles that directly threaten deployed U.S. and allied forces. While the funding is primarily for research and development of advanced systems to meet future threats, it includes \$0.4 billion in procurement,

most of which will be used to purchase an advanced version of the Patriot missile.

Modernizing Space Systems: The budget provides funding for improved space-based communications and strategic and theater missile warning and defense. It also provides funding to support positioning and navigation, weather monitoring, and launch systems that will meet the needs of both military and civilian users. For example, DOD is funding upgrades to the Global Positioning System navigation satellites to allow the United States to maintain a military advantage while providing enhanced navigation capabilities to civilian users worldwide. In addition, DOD and its industry partners are developing the Evolved Expendable Launch Vehicles to provide more efficient, economical access to space.

Establishing Information Dominance: America's preeminence in using information on the battlefield has helped us establish the world's strongest military. Commanders who can better observe and analyze the battle while disseminating highly accurate information to their forces have a powerful advantage over the adversary. Joint Vision 2010, DOD's vision for the future, focuses on the continued development of command, control, communications, computers, intelligence, surveillance, and reconnaissance capabilities. This effort will enhance the accuracy of weapons and allow more effective use of forces. The Army plans to "digitize" a corps by calendar year 2004—that is, equip it so that accurate, timely information about the battle can be transferred rapidly among U.S. forces. The budget includes funding for Navy and Air Force automated command and control systems, and land and space-based communications networks. It also includes funds for battlefield surveillance assets, such as unmanned aerial vehicles for all military departments, and national sensors to help our leaders better anticipate, monitor, and respond to crises. Finally, the budget funds initiatives that will improve the production and dissemination of information by coalescing disparate sets of data. These initiatives will play a key role in improving both military

operations and national security decision-making, and will enable commanders to direct the battle and respond to threats more effectively.

Taking Care of Military Personnel and Their Families

Enhancing Pay and Compensation: Members of our Armed Forces are called upon continually to make personal sacrifices for the Nation's security. It is essential that the Nation show support for their service by enhancing their quality of life and that of their families. Therefore, the budget proposes a 3.7 percent pay raise, effective January 2001—as authorized in law—to ensure that military compensation remains competitive with private sector pay and the military services may continue to attract and retain high-quality personnel.

Improving Other Quality of Life Programs: The budget includes substantial funding to improve the quality of health care, military housing, and dependents' programs. Enhancements to these family support programs aim to reduce the stresses associated with military life, such as frequent family separations. The budget includes a major initiative to reduce servicemembers' out-of-pocket costs for housing, making local community housing more affordable. The budget increases educational funding in order to accelerate the implementation of full-day kindergarten in DOD schools overseas and the reduction of the pupil-to-teacher ratio to 18:1 in grades one to three in all domestic and overseas DOD schools.

Supporting Our Nation's Youth: The National Guard's Youth ChalleNGe program is a civilian youth opportunity program that provides military-based training, including supervised work experience in community service and conservation projects, to young people who have left secondary school prior to graduation. This activity provides life skills and experiences that enhance the employment potential of those participating in the program. For 2001, the budget sustains funding for this program at a level of \$63 million.

Managing Our Defense Resources More Efficiently

Pursuing Competitive Sourcing: DOD is implementing an aggressive competitive sourcing program for its infrastructure and support activities, including base utility services, general base operations, family housing, logistics support, training, property maintenance, and distribution depots. These functions, if retained by the government after competition, can be performed by both civilian and military personnel. Even after DOD exempts certain functions from competition for national security purposes, competitive sourcing will produce estimated savings of \$11.6 billion from 1999 to 2005, with savings thereafter of more than \$3.4 billion annually.

Privatizing Military Family Housing: DOD has made a great deal of progress under the Military Housing Privatization Initiative, having privatized over 1,000 housing units by 1998 and nearly 2,700 units in 1999. DOD is working on privatizing an additional 21,600 units in 2000, and expects to privatize a cumulative total of more than 31,500 housing units by the end of 2001.

Eliminating Excess Infrastructure: Because infrastructure reductions have lagged behind force reductions, DOD has facilities that it no longer needs. These excess facilities drain resources that could otherwise support modernization, readiness, and quality of life. For three years in a row, DOD has submitted to Congress legislation to close additional bases in order to reduce the excess infrastructure. Unfortunately, Congress has failed to approve this legislation despite data that additional base closures will generate savings that can be applied to high priority defense programs. Nonetheless, DOD again will submit legislation this Spring for new base closure rounds in 2003 and 2005. Additionally, DOD will continue to explore new ways to reduce infrastructure costs wherever possible. For example, the budget supports an aggressive on-

going program to demolish unneeded infrastructure.

Improving Financial Management: DOD is continuing the vigorous transformation of its financial management processes and systems. Both finance and accounting systems are being consolidated and overhauled. Internal controls are being strengthened to reduce and then eliminate problems matching disbursements to obligations, reform the contractor payment process, improve computer security and fraud detection, and to implement Federal accounting standards. Such steps will provide managers with more accurate and timely financial information.

Streamlining the Civilian Work Force: Since 1993, DOD has cut its civilian work force by over 27 percent, or more than 250,000 full-time equivalent (FTE) positions, and it will continue to streamline while maintaining quality. DOD plans to implement further reductions of 35,000 civilian FTE positions. During this drawdown, DOD will provide transition assistance for affected employees.

Implementing the Information Technology Management Reform Act (ITMRA): Also known as the Clinger-Cohen Act, ITMRA is designed to help agencies improve mission performance by effectively using information technology. One example is the Global Command and Control System, which supports U.S. forces by improving their ability to process and transfer critical military information quickly and accurately. The DOD Chief Information Officer Council manages DOD's annual \$16 billion information technology budget and \$19 billion command, control, and communication budget, and provides advice on ITMRA-related issues. In addition, DOD continues to restructure its work processes while applying modern technologies to maximize the performance of information systems, achieve a significant return on investments, cut costs, and produce measurable results.

V. IMPROVING GOVERNMENT PERFORMANCE

10. RESTORING TRUST IN GOVERNMENT

When I became President, I knew we had to change old policies and old ways of doing things... the American people had a very low level of confidence in the Government... We wanted to change all that. We knew it was important for our economy... We knew it was important for the integrity of our democracy.

President Clinton
January 1999

Americans believe that Government can deliver better results and improve their quality of life and the lives of their families. A generation ago, when the University of Michigan's Institute for Social Research asked "Do you trust the Federal Government to do the right things most of the time?" 76 percent of Americans expressed confidence in the Federal Government. By 1994, that number had declined to only 21 percent. Analyses of the underlying causes of distrust of Government by The Pew Charitable Trusts, the Council for Excellence in Government, leading universities and other groups suggest there is a key link between confidence in Government and Government's performance.

President Clinton and Vice President Gore recognized this and set about improving the responsiveness and performance of the Federal Government. The success of these efforts is reflected in the significant changes in the way Government does its business and the new confidence on the part of the American public. In the second term of this Administration, public trust in the Federal Government nearly doubled in the course of only four years, reaching 40 percent when last measured by the University of Michigan in 1998 (see Chart 10-1).

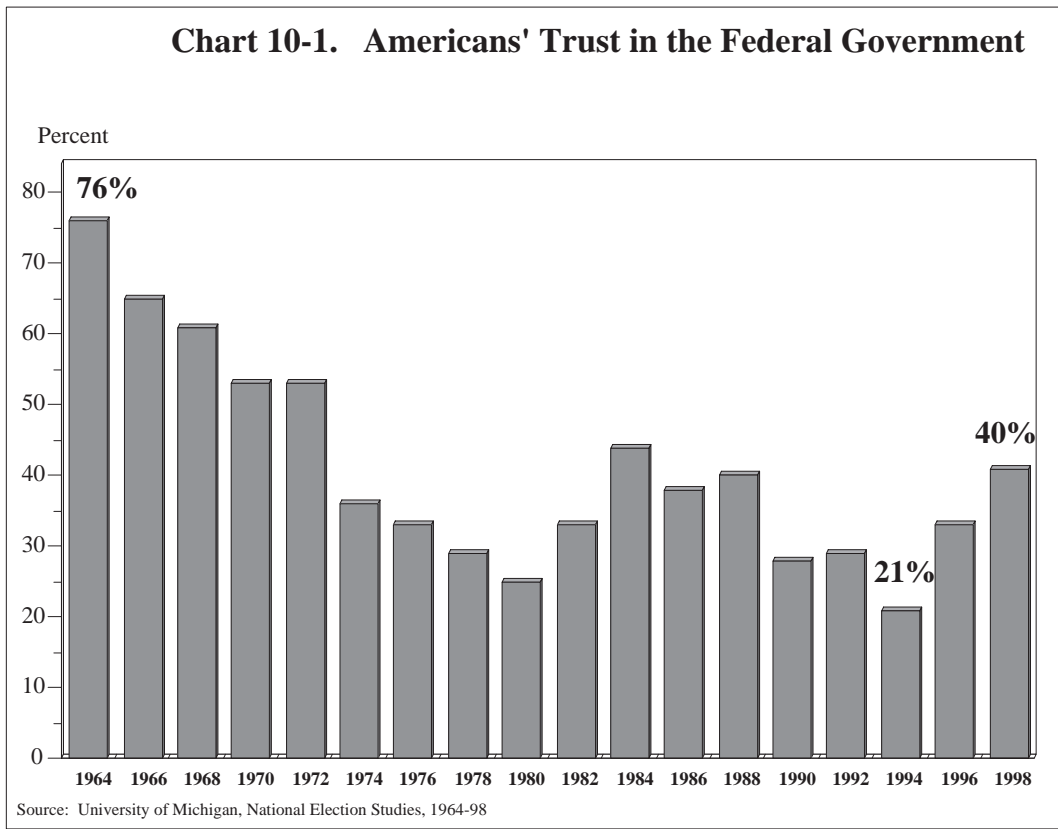
Recent studies show that many people base their decisions about how much they trust their Government on their assessment of how well they believe Federal agencies perform. When Governments work for the people—when citizens receive good basic services and have faith in the Government that is providing them—a large measure of stability and community naturally follows. In the

past seven years, President Clinton and Vice President Gore have made substantial efforts to improve Government performance with demonstrable results.

Any organization that seeks to perform at a high level must have clear expectations, along with the necessary resources, the flexibility, and the management capacity to improve performance and get results. In 1993, Congress passed the Government Performance and Results Act (GPRA) which established a framework to set expectations, measure the progress toward meeting these goals, and report on results. For the first time this year, agencies will report upon these results in light of the performance goals they established in their 1999 plans. Later in 2000, agencies will update their strategic plans to cover activities for the next three to five years. Each year, agencies are more and more making performance measures a key part of their basic decisions, resulting in better budgeting and better programs.

The Administration's Stewardship is Making a Difference

In 1993, President Clinton and Vice President Gore launched the longest running management reform effort in the Federal Government's history, the Reinventing Government initiative. This effort has created a Government that works better, costs less, and gets results Americans care about. In the past seven years, the Administration has streamlined the work force, eliminated obsolete programs and agencies, empowered its employees to cut red tape, and used partnerships to get results.



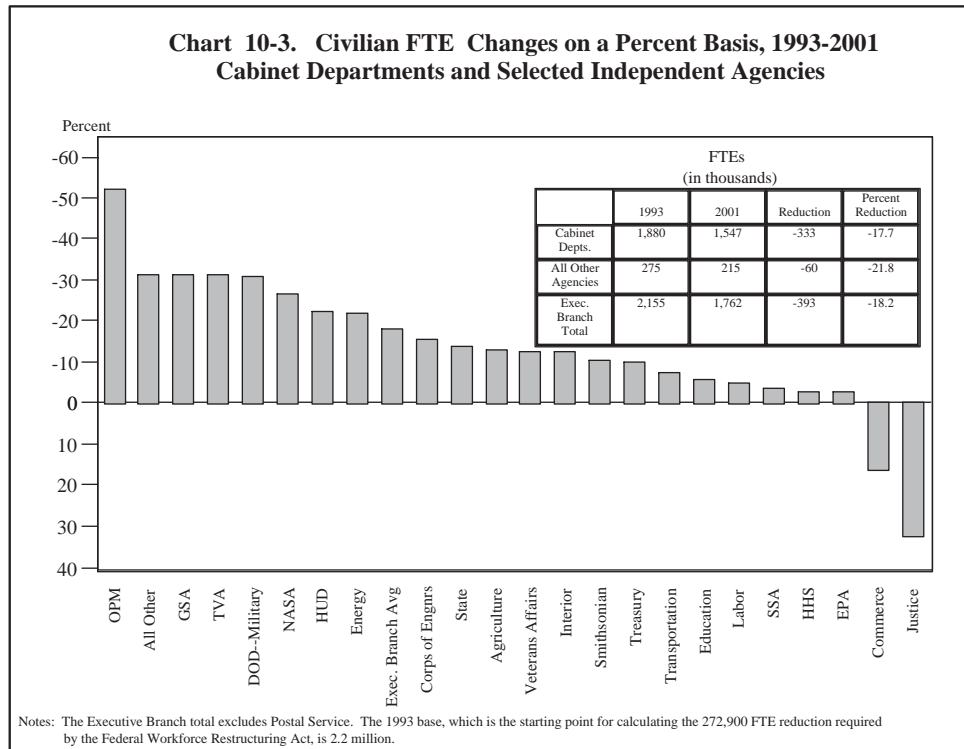
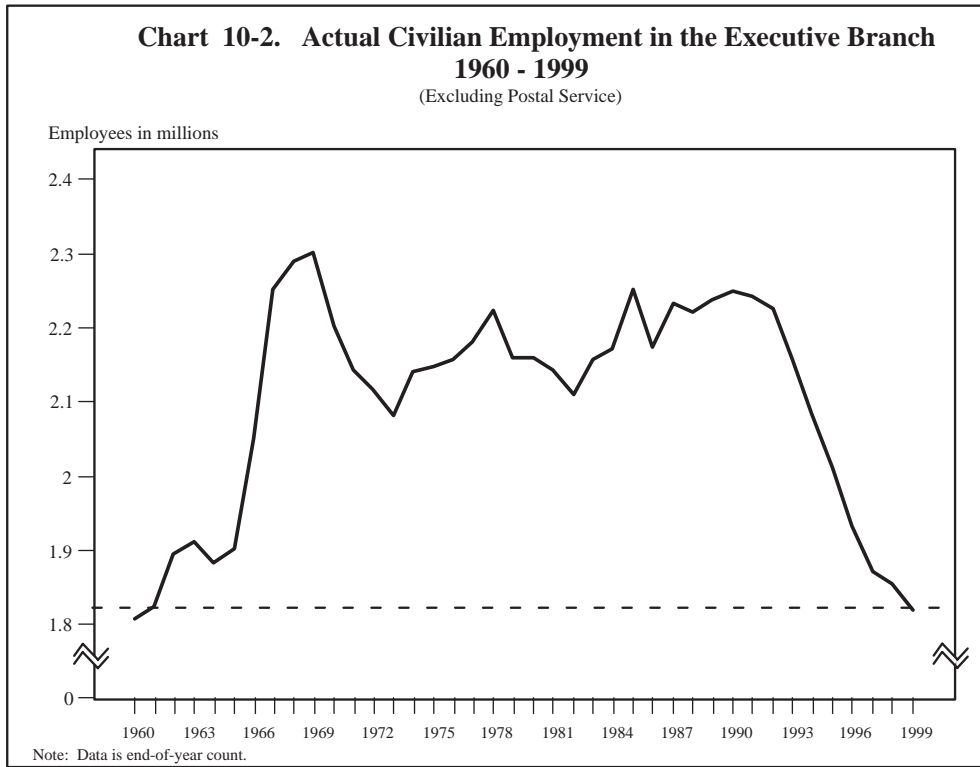
Between 1993 and 1999, the Administration reduced the size of the Federal civilian work force by 17 percent, or 377,000 full-time equivalent employees. As Chart 10-2 shows, this is the smallest Federal work force in 39 years. This reduction has been accomplished almost entirely through voluntary separations. Almost all of the 14 Cabinet Departments and large independent agencies have reduced their work force (see Chart 10-3). For example, the Office of Personnel Management reduced its work force by 55 percent during this period. And the growth in the Justice Department's work force, running contrary to the overall trend, specifically reflects the Administration's commitment to expanding the fight against crime and drugs, while the Commerce Department has hired additional employees on a temporary basis to meet the demands of the decennial census.

To enable agencies to downsize and restructure so that they can better achieve their overall goals and missions, the Administration proposed and Congress enacted legislation in 1999 authorizing agencies to target offers

of voluntary, early retirement to particular segments of the work force. The Administration will seek Government-wide authority to offer such voluntary separation incentives (buyouts) where justified through cost benefit analysis and will also continue to support agencies needing separate buyout authority to restructure their work force.

The Administration is Improving Performance

While reducing costs and cutting red tape are important management objectives, the highest priority objective is for Federal agencies to deliver results that Americans care about. Studies show that high performing organizations use a balanced set of measures to determine how they are doing in achieving "bottom line" mission results, maintaining strong employee morale, and satisfying their customers. These three elements are related. Research shows that when employee satisfaction grows, so too does the satisfaction of the customers they serve. This, in turn, contributes to improved mission (or operational) results. Together, such results-ori-

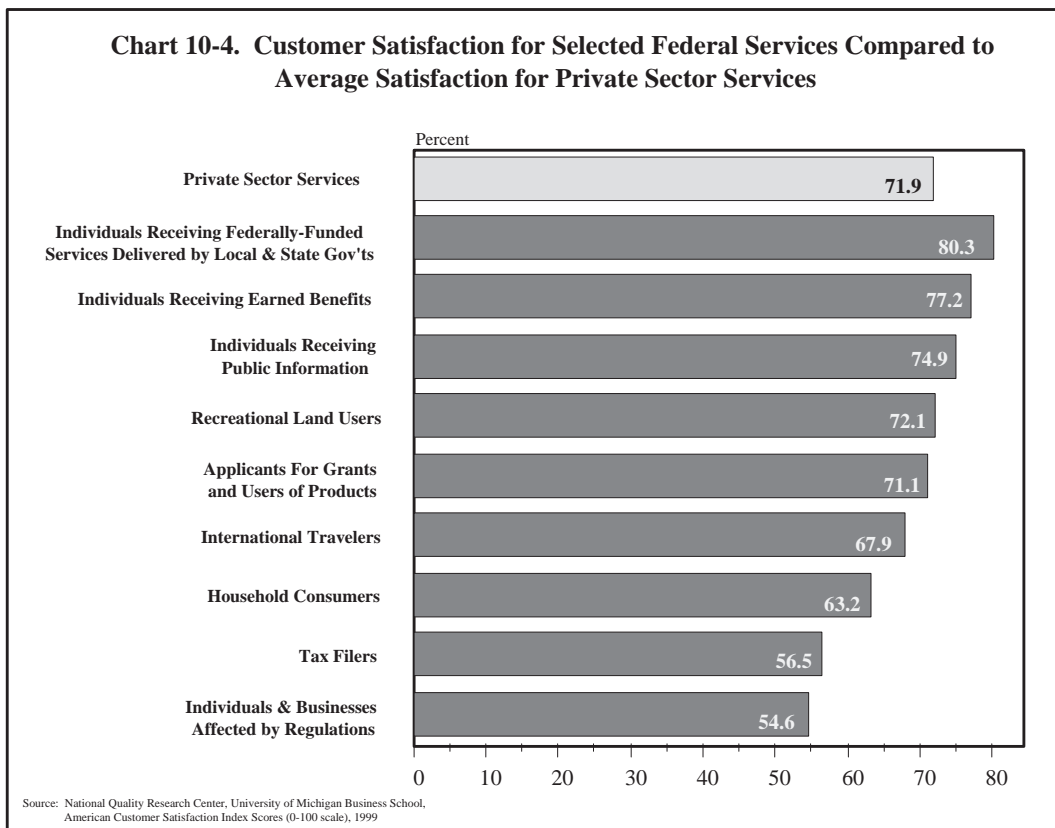


ented measures give a more comprehensive picture of how programs are performing and prevents managers from making improvements in one area at the expense of another.

Customer satisfaction: In 1999, the Administration sponsored the first-ever Government-wide survey of the customers of agencies that deal the most with the public. The Government-wide American Customer Satisfaction Index was 68.6 on a 100-point scale. With an index of nearly 72, private sector services are in a similar range. In fact, certain Federal agencies do as well or better than the private sector in a number of areas. For example, Federal customers receiving earned benefits rated their agencies at 77 while the comparable private sector area had the same rating. Similarly, Veterans Health Administration outpatient services ranked 79; private sector hospitals ranked 70. As might be expected, there is considerable variation between agencies that provide benefits or services and those that collect taxes or regulate. The activities of regulatory agencies benefit the public at large, but

may not be perceived as benefiting those subject to the regulation. Chart 10-4 shows customer satisfaction with selected Federal services compared to average satisfaction for private sector services. For details, see the website www.npr.gov. In addition, 60 percent of those surveyed thought service had improved in the past two years. Each participating agency has committed to improve its customer satisfaction in the coming year. The agency plans are available at the website www.customersurvey.gov. In 2000 and 2001, agencies will repeat the survey and expand the services covered.

Employee satisfaction: A second 1999 Government-wide survey—of the Federal work force—showed that job satisfaction in Federal agencies is similar to the private sector. It also showed a dramatic leap in the number of Government employees who see customer service as an essential component of their jobs. Today, this is true for 72 percent of Federal Government employees. Less than a decade ago, shortly before this Administration came to of-



face, only 36 percent of supervisors considered customer service to be important. In addition, the survey showed that employees in organizations where reinvention has been a priority were twice as satisfied with their jobs, felt they were more empowered to serve their customers, and faced less red tape than other employees.

To recognize that Federal employees are the key to effective Government performance, and to enable the Government to attract and retain a high-quality work force, the President proposes to enhance the current compensation package. First, the President proposes a 3.7 percent pay raise for civilian employees, an increase greater than the recent wage growth in the private sector. Second, the Administration will request that Congress reverse action taken last year to delay into 2001 the last 2000 paycheck of many Federal employees and to repeal, effective January 2001, the higher retirement contributions required of Federal employees by the Balanced Budget Act of 1997. Third, the President will enable Federal employees to pay their annual health insurance premiums out of pre-tax income, a benefit already available to most employees in the private sector and State and municipal Governments.

Getting Results: The commitment of the President and the Congress to balance the budget—and keep it in balance—has rightly prompted increased focus on the allocation of resources to programs that advance each agency's mission. Therefore, agencies are increasingly justifying funds for programs in terms of performance. The Executive Branch and the Congress are asking the key questions: "What are we getting for what we are spending?" and "How will we know if we are successful?"

The bottom line for Government organizations is their mission: the goals and outcomes that can indicate success. For example, a major performance goal for the Environmental Protection Agency is to reduce air toxics emissions. The Department of Education's Student Financial Assistance Program has

a major goal to ensure that low- and middle-income students will have the same access to post-secondary education that high-income students do. The Social Security Administration seeks to deliver customer-responsive world-class service.

Often performance is examined only across single organizational units, such as a Department or agency. In Chapters 11 (National Security) through 27 (General Government) that follow, program performance is described according to budget functions. The functional presentation reflects comprehensive coverage of the major accounts in the budget, grouping together similar programs to show the interrelationships among their goals. The chapters include illustrative accomplishments in 1999 and other recent years, and also highlight performance goals for 2001. Additional detail will be available when the agencies distribute their 2001 performance plans and their first-ever annual performance reports assessing operational results for 1999.

The material that follows, together with Section III, "Sustaining Our Economic Prosperity," constitutes the third comprehensive Government-wide Performance Plan. Together these sections, which highlight fiscal performance and operating performance, contain an integrated view of the measures and descriptions of program activity contemplated by the GPRA.

In addition, OMB is separately submitting its third Report to Congress on the Costs and Benefits of Federal Regulations. This report is required by Section 638(a) of the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act. The report updates information on the costs and benefits of Federal regulations in the aggregate, by agency and agency program, and by major rule. It also presents an analysis of impacts of Federal regulation on State, local, and Tribal governments, small business, wages, and economic growth. Finally, the report provides recommendations for reform of specific regulations.

Table 10-1. FEDERAL RESOURCES BY FUNCTION
(In billions of dollars)

Category	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
NATIONAL DEFENSE:							
Spending:							
Discretionary Budget Authority	288.1	294.1	306.3	310.1	316.4	324.1	332.4
Mandatory Outlays:							
Existing law	-0.6	-0.5	-0.9	-0.8	-0.8	-0.7	-0.7
Credit Activity:							
Direct loan disbursements	*	*	*	N/A	N/A	N/A	N/A
Guaranteed loans	*	*	*	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	2.1	2.1	2.2	2.2	2.2	2.2	2.2
INTERNATIONAL AFFAIRS:							
Spending:							
Discretionary Budget Authority	41.5	23.9	22.8	23.2	23.5	24.1	24.6
Mandatory Outlays:							
Existing law	-4.3	-4.8	-4.1	-3.7	-3.7	-3.7	-3.7
Credit Activity:							
Direct loan disbursements	2.8	1.8	1.4	N/A	N/A	N/A	N/A
Guaranteed loans	9.5	12.8	12.5	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	14.4	15.6	16.7	17.0	17.6	18.8	20.1
Proposed legislation		0.1	0.2	0.1	*	_*	_*
GENERAL SCIENCE, SPACE, AND TECHNOLOGY:							
Spending:							
Discretionary Budget Authority	18.8	19.2	20.8	21.2	21.5	22.1	22.5
Mandatory Outlays:							
Existing law	*	0.1	0.1	*	*	*	*
Tax Expenditures:							
Existing law	3.6	2.9	5.2	5.7	5.1	4.8	3.9
ENERGY:							
Spending:							
Discretionary Budget Authority	2.9	2.6	2.9	3.3	3.1	3.2	3.3
Mandatory Outlays:							
Existing law	-2.2	-4.5	-3.8	-3.9	-3.7	-4.0	-4.0
Credit Activity:							
Direct loan disbursements	1.1	1.7	1.6	N/A	N/A	N/A	N/A
Guaranteed loans	*	0.1	0.2	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.9	1.9	1.9	2.0	1.3	1.4	1.4
Proposed legislation			0.2	0.4	0.7	1.1	1.6
NATURAL RESOURCES AND ENVIRONMENT:							
Spending:							
Discretionary Budget Authority	23.8	24.0	24.9	25.1	25.4	26.0	26.5
Mandatory Outlays:							
Existing law	0.3	0.5	0.6	0.7	0.9	0.8	0.8
Proposed legislation			-0.2	-0.1	-0.5	-0.4	-0.3
Credit Activity:							
Direct loan disbursements	*	*	*	N/A	N/A	N/A	N/A
Guaranteed loans			0.1	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.5	1.5	1.6	1.6	1.7	1.8	1.8
Proposed legislation			*	*	0.1	0.2	0.3
AGRICULTURE:							
Spending:							
Discretionary Budget Authority	4.5	4.5	4.6	4.6	4.5	4.7	4.7
Mandatory Outlays:							
Existing law	18.4	26.1	14.3	9.8	9.7	7.6	6.6
Proposed legislation		0.7	3.4	3.3			
Credit Activity:							
Direct loan disbursements	10.0	12.2	10.6	N/A	N/A	N/A	N/A
Guaranteed loans	2.6	6.6	6.6	N/A	N/A	N/A	N/A

Table 10–1. FEDERAL RESOURCES BY FUNCTION—Continued
(In billions of dollars)

Category	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Tax Expenditures:							
Existing law	0.9	0.9	1.0	1.0	1.0	1.1	1.1
COMMERCE AND HOUSING							
CREDIT:							
Spending:							
Discretionary Budget Authority	3.8	7.2	3.5	3.3	3.3	3.2	3.3
Mandatory Outlays:							
Existing law	-0.9	-1.6	-0.8	-1.0	-1.5	-1.3	-0.7
Proposed legislation			-0.1	-0.1	-0.1	-0.1	-0.1
Credit Activity:							
Direct loan disbursements	2.1	1.8	2.0	N/A	N/A	N/A	N/A
Guaranteed loans	306.6	264.0	273.9	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	227.9	235.6	247.1	255.3	264.4	274.7	284.4
Proposed legislation			0.3	0.5	0.5	0.7	0.8
TRANSPORTATION:							
Spending:							
Discretionary Budget Authority	13.7	13.3	14.5	14.5	15.0	15.6	16.3
Mandatory Outlays:							
Existing law	1.9	2.4	2.1	1.6	2.0	1.9	1.9
Proposed legislation			*	*	*	*	*
Credit Activity:							
Direct loan disbursements	0.2	1.0	0.9	N/A	N/A	N/A	N/A
Guaranteed loans	1.8	2.8	0.9	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.9	2.0	2.1	2.2	2.3	2.5	2.6
COMMUNITY AND REGIONAL DEVELOPMENT:							
Spending:							
Discretionary Budget Authority	11.0	11.5	12.3	12.3	12.5	12.8	13.1
Mandatory Outlays:							
Existing law	—*	-0.5	-0.6	-0.8	-0.9	-0.9	-1.1
Proposed legislation			-0.1	*	0.1	0.2	0.2
Credit Activity:							
Direct loan disbursements	1.7	2.1	2.8	N/A	N/A	N/A	N/A
Guaranteed loans	1.6	2.4	2.9	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.3	1.4	1.5	1.4	1.2	1.1	1.1
Proposed legislation			0.1	0.5	1.0	1.3	1.6
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:							
Spending:							
Discretionary Budget Authority	46.6	44.4	61.5	61.6	62.3	63.4	64.6
Mandatory Outlays:							
Existing law	11.3	11.3	15.4	14.0	15.5	16.2	17.2
Proposed legislation		-0.1	-2.8	-0.2	-0.2	-0.2	-0.2
Credit Activity:							
Direct loan disbursements	18.1	14.7	15.8	N/A	N/A	N/A	N/A
Guaranteed loans	21.9	25.3	26.5	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	34.1	36.0	37.6	38.7	41.2	42.4	44.7
Proposed legislation		0.1	1.4	3.7	3.8	5.0	5.5
HEALTH:							
Spending:							
Discretionary Budget Authority	30.2	33.8	35.0	34.8	35.2	36.1	36.8
Mandatory Outlays:							
Existing law	114.1	123.3	132.3	143.2	155.1	167.5	181.3
Proposed legislation			1.1	2.8	5.3	8.1	9.8
Credit Activity:							
Guaranteed loans		0.1	0.1	N/A	N/A	N/A	N/A

Table 10-1. FEDERAL RESOURCES BY FUNCTION—Continued
(In billions of dollars)

Category	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Tax Expenditures:							
Existing law	82.9	89.3	95.2	101.7	107.4	114.2	122.0
Proposed legislation			0.1	1.3	2.8	3.9	4.7
MEDICARE:							
Spending:							
Discretionary Budget Authority	2.8	3.1	3.0	3.0	3.0	3.1	3.2
Mandatory Outlays:							
Existing law	187.7	199.5	218.3	223.7	241.9	255.4	277.5
Proposed legislation			-0.7	2.6	-2.7	6.5	6.1
INCOME SECURITY:							
Spending:							
Discretionary Budget Authority	32.7	29.8	41.3	41.3	41.8	42.9	43.8
Mandatory Outlays:							
Existing law	197.8	207.4	217.2	229.7	240.9	251.1	263.3
Proposed legislation		2.2	-1.6	0.9	1.5	3.0	3.1
Credit Activity:							
Direct loan disbursements	*	*	*	N/A	N/A	N/A	N/A
Guaranteed loans	*	0.1	0.1	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	140.3	147.7	153.1	159.3	165.6	172.1	178.8
Proposed legislation		*	2.6	4.6	7.9	10.4	16.4
SOCIAL SECURITY:							
Spending:							
Discretionary Budget Authority	3.2	3.2	3.5	3.5	3.5	3.6	3.7
Mandatory Outlays:							
Existing law	387.0	403.3	422.2	443.0	465.3	489.7	516.2
Proposed legislation				0.1	0.1	0.1	0.2
Tax Expenditures:							
Existing law	23.3	24.5	25.8	27.3	29.0	30.8	23.3
VETERANS BENEFITS AND SERVICES:							
Spending:							
Discretionary Budget Authority	19.3	20.9	22.1	22.1	22.3	22.9	23.4
Mandatory Outlays:							
Existing law	23.8	25.1	25.6	26.3	27.6	28.4	31.0
Proposed legislation		1.8	-1.5	0.8	1.0	1.5	2.0
Credit Activity:							
Direct loan disbursements	1.7	2.0	0.7	N/A	N/A	N/A	N/A
Guaranteed loans	43.1	32.1	29.5	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	3.1	3.3	3.4	3.5	3.7	3.9	4.1
ADMINISTRATION OF JUSTICE:							
Spending:							
Discretionary Budget Authority	26.5	26.6	29.0	30.0	30.1	30.3	30.9
Mandatory Outlays:							
Existing law	0.9	1.5	1.5	0.8	0.7	2.1	2.2
Proposed legislation						-1.5	-1.5
GENERAL GOVERNMENT:							
Spending:							
Discretionary Budget Authority	13.7	12.6	14.7	14.5	14.6	14.8	15.0
Mandatory Outlays:							
Existing law	3.3	1.7	1.4	1.3	1.3	1.6	1.4
Proposed legislation		*	*	0.4	0.4	0.4	0.4
Credit Activity:							
Direct loan disbursements		*	*	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	63.0	65.8	68.3	70.8	73.8	77.0	80.3
Proposed legislation			*	0.3	0.3	0.3	0.4

Table 10–1. FEDERAL RESOURCES BY FUNCTION—Continued
(In billions of dollars)

Category	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
NET INTEREST:							
Spending:							
Mandatory Outlays:							
Existing law	229.7	220.3	208.3	198.6	189.2	177.4	163.6
Proposed legislation			*	*	0.1	0.1	0.1
Tax Expenditures:							
Existing law	1.0	1.1	1.1	1.2	1.2	1.3	1.4
ALLOWANCES:							
Spending:							
Discretionary Budget Authority			–0.2	–0.2	–0.3	–0.3	–0.3
UNDISTRIBUTED OFFSETTING							
RECEIPTS:							
Spending:							
Discretionary Budget Authority			–0.2	–0.2	–0.2	–0.2	–0.2
Mandatory Outlays:							
Existing law	–40.4	–43.1	–45.7	–49.1	–47.3	–46.9	–48.6
Proposed legislation			0.3	0.3	0.3	0.3	0.3
FEDERAL GOVERNMENT TOTAL:							
Spending:							
Discretionary Budget Authority	583.1	574.7	622.2	627.7	637.5	652.1	667.5
Mandatory Outlays:							
Existing law	1,128.1	1,167.4	1,203.2	1,233.5	1,292.3	1,342.3	1,404.2
Proposed legislation		4.6	–2.1	10.7	5.3	18.1	20.0
Credit Activity:							
Direct loan disbursements	37.7	37.3	35.8	N/A	N/A	N/A	N/A
Guaranteed loans	388.2	348.3	354.1	N/A	N/A	N/A	N/A

* \$50 million or less.

N/A Not available.

11. NATIONAL DEFENSE

Table 11-1. Federal Resources in Support of National Defense

(In millions of dollars)

Function 050	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	288,117	294,068	306,287	310,069	316,438	324,051	332,364
Mandatory Outlays:							
Existing law	-590	-519	-884	-839	-792	-665	-672
Credit Activity:							
Direct loan disbursements		11		N/A	N/A	N/A	N/A
Guaranteed loans	5	37		N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	2,120	2,140	2,160	2,180	2,200	2,220	2,240

N/A = Not available.

The Federal Government will allocate more than \$306 billion in 2001 to defend the United States, its citizens, its allies, and to protect and advance American interests around the world. National defense programs and activities ensure that the United States maintains strong, ready, and modern military forces to promote U.S. objectives in peacetime, deter conflict, and if necessary, successfully defend our Nation and its interests in wartime.

Over the past half-century, our defense program has deterred both conventional and nuclear attack on U.S. soil, brought a successful end to the Cold War, and successfully executed numerous contingency operations. Today, the United States is the sole remaining superpower in the world, with military capabilities unsurpassed by any nation. As the world's best trained and best equipped fighting force, the U.S. military continues to provide the strength and leadership that serve as the foundation upon which to promote peace, freedom, and prosperity around the globe.

Department of Defense (DOD)

The DOD budget provides for the pay, training, operation, basing, and support of U.S. military forces, and for the development and acquisition of modern equipment to:

Shape the international environment by sustaining U.S. defense forces at levels sufficient to undertake our strategy of engagement, and conducting programs to reduce weapons of mass destruction, prevent their proliferation, and combat terrorism;

Respond to the full spectrum of crises by stationing well-trained and equipped forces overseas and maintaining capabilities to mobilize and rapidly deploy forces stationed on U.S. soil;

Prepare for an uncertain future by giving U.S. forces the military hardware that employs the best available technologies and by recruiting, training and retaining quality personnel;

Ensure that the U.S. military remains the world's most prepared and capable force by sustaining force readiness levels and re-engineering business practices to improve operations.

To achieve these objectives, DOD sustains the following capabilities.

Conventional Forces: Conventional forces include ground forces such as infantry and tank units; air forces such as tactical aircraft; naval forces such as aircraft carriers, destroyers, and attack submarines; and Marine Corps

expeditionary forces. The Nation needs conventional forces to deter aggression and, when that fails, to defeat it. Funds to support these forces cover pay and benefits for military personnel; the purchase, operation, and maintenance of conventional systems such as tanks, aircraft, and ships; the purchase of ammunition and spare parts; and training.

Mobility Forces: Mobility forces provide the airlift and sealift that transport military personnel and materiel throughout the world. They play a critical role in U.S. defense strategy and are a vital part of America's response to contingencies that range from humanitarian relief efforts to major theater wars. Airlift aircraft provide a flexible, rapid way to deploy forces and supplies quickly to distant regions, while sealift ships allow the deployment of large numbers of heavy forces together with their fuel and supplies. The mobility program also includes prepositioning equipment and supplies at sea or on land near the location of a potential crisis, allowing U.S. forces that must respond rapidly to crises overseas to quickly draw upon these prepositioned items.

Strategic Nuclear Forces: Strategic nuclear forces are also important to our military capability. Within treaty-imposed limits, they include land-based intercontinental ballistic missiles, submarine launched ballistic missiles, and long-range strategic bombers. The primary missions of our strategic forces are to deter nuclear attack against the United States and its allies, and to convince potential adversaries that they will never gain a nuclear advantage against our Nation.

Supporting Activities: Supporting activities include research and development, communications, intelligence, training and medical services, central supply and maintenance, and other logistics activities. In particular, the Defense Health Program provides health care through DOD facilities as well as through TRICARE—its contracted, civilian network companion program.

DOD Performance

DOD's corporate goals derive from the key tenets of the U.S. national security strategy and form the basis of the performance goals and measures presented here.

Shaping the International Environment and Responding to the Full Spectrum of Crises: DOD's first corporate goal is to shape the international environment by participating in international security organizations, such as NATO, and improving our ability to work cooperatively with our friends and allies. Such efforts are designed to promote regional stability and security, and reduce the threat of war. Their failure could lead to a major conflict affecting U.S. interests.

Also, DOD must be able to respond to the full spectrum of crises, from small-scale contingencies to two nearly simultaneous major theater wars.

Evaluating DOD's performance in this area includes an assessment of the ability of U.S. forces to:

- Enhance and sustain security relationships with friends and allies, enhance coalition warfighting capability, promote regional stability and support U.S. regional security objectives, deter aggression, and prevent or reduce the threat of conflict. One measure of this is DOD's ability to conduct joint exercises. In 2001, DOD will conduct 204 joint and combined overseas military exercises.

DOD's current force structure (which was derived from the Quadrennial Defense Review (QDR)) was designed to respond to the full spectrum of crises, up to and including two major-theater wars. DOD acknowledges the impact of a high rate of operation on unit readiness. Thus, it has set goals for limiting operational tempo to levels which do not adversely impact overall quality of life for service members and their families. DOD will closely monitor the pace of peacetime operations across the forces using these goals as a guide.

- The Army will maintain four active corps headquarters, 18 active and National Guard divisions, two active armored cavalry regiments, and 15 National Guard enhanced readiness brigades. The Army will minimize the number of units deploying more than 120 days per year.
- The Navy will maintain 11 aircraft wings, 12 amphibious ready groups, 12 aircraft carriers, 55 attack submarines, and 116

surface combatants. Compared to 1999, the number of aircraft carriers and amphibious ready groups remain at 12, surface combatant ships (active and reserve) remain at 116, and there are 2 fewer attack submarines. In addition, the Navy will minimize the number of units not meeting its personnel tempo goal.

- The Air Force will maintain 20.2 Air Force fighter wing equivalents, four air defense squadrons, and around 190 bombers. The Air Force will hold unit deployments in excess of 120 days to a minimum.
- The Marine Corps will maintain three marine expeditionary forces, three active and one reserve divisions, three active and one reserve air wings, and three active and one reserve force service support groups. This keeps the Marine Corps forces at the same level as recent years. The Marine Corps will minimize the number of units deploying more than 180 days per year over a 36-month scheduling period.

Overseas presence, mobility, and the sustaining of a capable force structure are also key to DOD's ability to respond effectively to crises. DOD thus maintains forces "forward deployed" (that is, on-site around the world and at U.S. bases) that are capable of rapidly converging at the scene of a potential conflict to deter hostilities and protect U.S. citizens and interests in times of crisis.

- The Army will maintain, as it did in 1999, one mechanized division in the Pacific region and two divisions with substantial elements in Europe.
- The Navy will maintain an overseas presence, defined by the percentage of time regions are covered by an aircraft carrier battle group, at 100 percent in the Pacific, 75 percent in Europe and 75 percent in Southwest Asia. Carrier battle groups will continue to shift, as necessary, from these notional assignments to respond to real world events. In 1999, carrier battle groups were on station for a lesser percentage of time in the Pacific and Europe than planned, while Southwest Asia deployments increased to 100 percent coverage. Coverage in 1999 for all three regions exceeded that achieved in 1998.

- The Air Force will continue maintaining two fighter wing equivalents in the Pacific, two in Europe and one in Southwest Asia.
- The Marine Corps will cover the Pacific region with a Marine expeditionary unit or amphibious ready group 100 percent of the time, Europe eighty percent of the time, and Southwest Asia 50 percent of the time. Amphibious Ready Groups will continue to shift, as necessary, from these notional assignments to respond to cover real world events. In 1999, for example, Marine Expeditionary Units covered Europe 100 percent of the time, and total coverage in all three regions was 30 percent greater than planned.

Remaining the world's most ready and capable force depends on six elements: ensuring the readiness of military units; maintaining a robust research and development program; procuring appropriate military equipment; recruiting and retaining high-quality personnel; strengthening and enhancing quality of life programs for military members and their families; and, providing equal opportunity throughout the armed services.

DOD has identified specific milestones to measure progress and to monitor readiness levels across the forces, such as the amount of training that individual units accomplish, the availability and operability of equipment, and the achievement of recruiting and retention goals.

- Several factors determine overall unit readiness, such as training, quantity and condition of equipment, and the number and experience of personnel. In 2000 and 2001, DOD will ensure that all of its units meet their specified readiness goals.
- On average for active forces, the Army will strive to attain 800 tank miles a year; the Air Force will strive to maintain its 2000 program of 17.2 active fighter/attack flying hours per crew a month; the Marine Corps plans to execute its mission training syllabus fully; and, the Navy plans to execute 50.5 deployed and 28.0 non-deployed ship steaming days per quarter.

Finally, the amount of sealift and airlift capacity must be sufficient to meet deployment time lines for deterring and defeating large-

scale, cross-border aggression in two distant theaters in overlapping time frames, and to sustain U.S. forces engaged in two major theater wars.

- In 2001, DOD will maintain its 1999 organic strategic airlift capability of 26 million ton miles a day and will attain a surge sealift capacity of 9.2 million square feet. In 1999, the surge sealift capability was 7.7 million square feet.

Preparing Now for an Uncertain Future:

To achieve DOD's second corporate goal, U.S. forces must maintain a qualitative superiority over potential adversaries by pursuing a focused procurement and research and development program, and by recruiting, training, and retaining quality personnel. DOD must transform the force by exploiting the revolution in military affairs, and reengineering the Department to achieve a 21st century infrastructure. Achieving this goal depends on ensuring that:

- DOD will acquire modern and capable weapon systems and will deliver them to U.S. forces in 97 months or 25 percent less time than the 132 months it previously took, while (1) ensuring that costs do not grow more than one percent a year in the years 2000 and 2001, and (2) meeting required performance specifications.
- DOD will recruit more than 200,000 new members for the active armed services in 2001. At least 90 percent of these recruits will have a high school diploma and 60 percent will be in AFQT mental categories I-III A. Recruitment funding will be increased in 2000 and 2001 to ensure that the Services are successful in achieving their recruiting goals and meet the challenges of a booming economy and lower youth unemployment rates. The 2001 recruitment goal for new recruits is slightly above the average number of enlisted recruits during the 1997-9 period.

As part of meeting this goal, DOD will follow the strategy of Joint Vision 2010, developed by the Chairman of the Joint Chiefs of Staff, to transform U.S. forces for the future, and it exploit emerging communication, information and associated technologies to reshape the way it fights and prepares for war.

- Defense Technology Objectives (DTOs) guide both basic research and focused investment. In 2000 and 2001, DOD will maintain 70 percent of DTOs on track as determined by peer review. For the past three years, well over 90 percent of the DTOs have been judged to have shown satisfactory progress.

Joint experimentation is an aggressive new program designed to give insights into new operational concepts and validate their ability to meet future battlefield requirements. In 2001, DOD will conduct 24 joint experiments. This program was newly established in 1999.

DOD must also develop new, innovative approaches to manage infrastructure costs and capitalize on the revolution in business affairs. Given its importance, DOD will again submit legislation this Spring for new base closure rounds in 2003 and 2005. In addition, DOD will continue to explore new ways to reduce infrastructure costs wherever possible. The budget also supports an aggressive ongoing program to adopt innovative management techniques and technological practices.

As part of this effort, DOD must also transform its support functions. Therefore, DOD has identified specific measures around which to focus the reform of acquisition and business affairs.

By 2001, DOD will strive to:

- Ensure that U.S. forces can achieve immediate visibility (for example, information on location and status) of 94 percent of DOD materiel assets, while resupplying military peacekeepers and warfighters and reducing the 1997 average order-to-receipt time of 35 days by more than 55 percent. Last year, DOD exceeded its interim goal, reducing delivery time to 18 days.
- Demolish and dispose of more than 57 million square feet of excess and obsolete facilities. DOD is planning to demolish and dispose of more than 80 million square feet by 2003.
- Develop a request-for-proposal to privatize appropriate DOD utility systems. Of the total 2,744 DOD utility systems, more than 200 already have been privatized or are no longer DOD systems. All eligible,

feasible systems are planned for privatization before October 2003.

- Dispose of \$427 million in excess National Defense Stockpile inventories and \$180 million in unneeded Government personal property, while reducing supply inventory by \$3 billion. In 1999, these initiatives reduced excess inventory by over \$6 billion.
- Dispose of 57.7 million cumulative square feet of excess real property. Cumulative disposals through 1998 amounted to 16 million square feet.
- Initiate competitions for more than 200,000 positions under OMB Circular A-76 (public-private sector competitions) and the new strategic sourcing processes. Savings will be around \$11 billion by 2005.
- Limit the cost growth of major acquisition programs to less than one percent.
- Simplify purchasing and payment by continuing to use purchase card transactions for at least 90 percent of all DOD micro-purchases, while reengineering the requisitioning, funding, and ordering processes. DOD reached 90 percent purchase card usage for the first time in 1999.
- Perform 90 percent of acquisition transactions through electronic commerce and electronic data interchange.
- Eliminate layers of management by streamlining processes, while cutting DOD's acquisition-related work force by 22 percent from its 1997 level.

DOD's management goals address necessary improvements to the finance, accounting, and information systems.

By 2001, DOD will strive to:

- Reduce the number of finance and accounting systems that do not comply with applicable Federal accounting standards from 17 in 1999 to three in 2001. This continues an improvement effort that has reduced the total number of finance and accounting systems from 324 in 1991. Last year alone, DOD reduced noncompliant systems from 109 to 17.

- Achieve unqualified audit opinions on two additional financial statements.

Department of Energy (DOE) Performance

DOE contributes to our national security mainly by reducing the global danger from nuclear weapons and other weapons of mass destruction. DOE is committed to maintaining confidence in the nuclear weapons stockpile without testing to strengthen the nuclear nonproliferation regime; to work with states of the former Soviet Union to improve control of nuclear materials; to develop improved technologies to detect, identify, and respond to the proliferation of weapons of mass destruction and illicit materials trafficking; and to clean up aggressively the environmental legacy of nuclear weapons programs.

The budget proposes \$13.0 billion to meet DOE's national security objectives, of which \$6.7 billion is for ongoing national security missions and \$6.3 billion addresses environmental cleanup activities.

DOE will achieve the following performance goals:

National Security

- Meet all scheduled nuclear weapons alterations and modifications and certify to the President that standards for safety, reliability, and performance of the nuclear weapons stockpile are met. In 1999, DOE met all milestones for weapons alterations and certification, and DOE selected a primary tritium production technology.
- Provide scientific understanding of the nuclear package of weapon systems to sustain our ability to certify the nuclear weapon stockpile without underground nuclear testing. In 1999, DOE conducted two subcritical experiments that provided valuable scientific information about the implosion phase of a nuclear weapon and demonstrated a three trillion operations per second computer system.
- Produce and deliver three satellite nuclear explosion detection sensor systems per year to provide continuous worldwide monitoring for nuclear explosions occurring in the atmosphere or space. In 1999, DOE

demonstrated autonomous operations of the next-generation space-based radio frequency monitoring sensor.

- Continue to implement a bilateral agreement with Russia for disposing of surplus weapons plutonium. In 1999, DOE issued a Record of Decision for the U.S. surplus plutonium disposition program and initiated negotiations with Russia on the bilateral agreement.
- Begin consolidation of weapon-usable material into fewer buildings and fewer sites in Russia and eliminate 200 kilograms of weapons-grade material by converting it to non-weapons grade form, thereby improving security and reducing overall cost. In 1999, DOE integrated and improved technology practices, facilities and training for eventual material protection, control and accounting for 650 metric tons of weapons-usable material at more than 40 locations in Russia.

Environmental Quality

DOE is making significant progress in reducing contamination and decommissioning facilities no longer needed at former nuclear weapons production installations. However, the following performance measures may show slower progress as DOE addresses more difficult and long-term cleanup projects.

- Complete 90 release site assessments. A release site is a specific location where hazardous, radioactive, or mixed waste has or is suspected to have occurred. In 1999, DOE completed 288 release site assessments.
- Clean up 160 release sites, bringing the number completed to more than 4,900 of a total inventory of approximately 9,700 release sites. In 1999, DOE completed cleanup of 161 release sites.
- Complete 40 facility decommissioning assessments. Decommission 30 facilities, in-

creasing the number completed to more than 660 out of a total inventory of approximately 3,300 facilities. In 1999, DOE decommissioned 92 facilities.

Other Defense-Related Activities

Other activities that support national defense and are implementing performance measurement include programs involving the:

- Coast Guard, which supports the defense mission through overseas deployments for engagements with friends and allies, port security teams, boarding and inspection teams for enforcing UN sanctions, training, aids to navigation, international icebreaking, equipment maintenance, and support of the Coast Guard Reserve;
- Federal Bureau of Investigation, which conducts counterintelligence and surveillance activities;
- Maritime Administration, which helps maintain a fleet of active, military useful, privately owned U.S. vessels that would be available in times of national emergency. By July 1999, 93 percent of the strategic commercial port facilities designated as necessary to meet national security requirements were ready;
- Arlington National Cemetery, which is developing a capital investment plan for using contiguous land sites that will be vacated by the Services, including the Navy Annex and portions of Fort Meyer. A review is underway of the demographics of the four million annual visitors to this national historic shrine; and,
- Selective Service System, which is modernizing its registration process to promote military recruiting among registrants, and in cooperation with the Department of Defense, is reducing active duty and reserve force officers to reflect the readiness requirements, and to fund additional automation.

12. INTERNATIONAL AFFAIRS

Table 12-1. Federal Resources in Support of International Affairs
(In millions of dollars)

Function 150	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	41,509	23,910	22,755	23,193	23,500	24,076	24,569
Mandatory Outlays:							
Existing law	-4,276	-4,769	-4,089	-3,735	-3,735	-3,689	-3,709
Credit Activity:							
Direct loan disbursements	2,781	1,813	1,419	N/A	N/A	N/A	N/A
Guaranteed loans	9,513	12,754	12,467	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	14,415	15,595	16,685	17,015	17,615	18,790	20,065
Proposed legislation		80	168	102	46	-10	-27

N/A = Not available.

The Administration proposes \$22.8 billion for International Affairs programs in 2001. By fully funding these programs, the United States can continue to provide critical international leadership to accomplish key strategic goals, such as enhancing national security, fostering world-wide economic growth, supporting the establishment and consolidation of democracy, improving the global environment and addressing other key global issues such as dealing with AIDS.

In many cases, the performance goals that follow are from agency performance plans. In addition to the goals identified below, agencies have established other performance goals for themselves to ensure that they fulfill their legislative mandates in ways that also contribute to U.S. national interests.

National Security

U.S. security depends on active diplomacy, steps to resolve destabilizing regional conflicts, and vigorous efforts to reduce the continuing threat of weapons of mass destruction. A strong, active United Nations enhances U.S. diplomatic efforts, and the budget proposes to fund assessed contributions to this and other international organizations, as well as

annual assessed and voluntary peacekeeping contributions.

Economic and reconstruction assistance and police training are critical to our effort to support a new, democratic society in Kosovo and funding under the FREEDOM Support Act helps foster the transition to market democracies in the former Soviet Union.

The State Department will implement a broad program of security enhancements in response to continued threats of terrorist bombings and related violence directed at U.S. diplomatic and consular facilities overseas in 2001. Achieving global upgrades and maintaining that readiness at the Department's overseas posts poses a significant management challenge. The budget also includes significant investments in overseas facilities to ensure continued protection of U.S. Government employees. Long-range capital planning, including a review of how the U.S. Government staffs and manages overseas facilities, will ensure that these investments meet cost, schedule, and performance goals of the program.

Relevant agencies will meet the following goals in 2001:

- The State Department will avert or defuse regional conflicts where critical national interests are at stake through bilateral U.S. assistance and UN peacekeeping activities.
- The State and Defense Departments will ensure that the armed forces of NATO's "candidate countries" can operate in a fully integrated manner with other NATO forces upon their planned entry into NATO.
- The State Department will achieve full compliance with, and verification of, treaties regarding weapons of mass destruction and, if necessary, combat suspected development programs.

Economic Prosperity

International affairs activities increase U.S. economic prosperity in several ways. First, the U.S. Trade Representative (USTR), supported by the State Department and other agencies, works to reduce barriers to trade in U.S. goods, services, and investments by negotiating new trade liberalizing agreements and strictly enforcing existing agreements.

Second, the Export-Import Bank and the Trade and Development Agency (TDA) provide grant and credit financing to correct market distortions that can put U.S. exports at a competitive disadvantage. The Overseas Private Investment Corporation (OPIC) provides investment insurance and financing for development projects in support of U.S. business large and small.

Third, development assistance from the Multilateral Development Banks (MDBs) and USAID, along with debt reduction, help increase economic growth, openness, and market orientation in developing and transitioning countries. This creates new markets for U.S. goods and services and reducing the economic cause of instability in these regions.

Relevant agencies will meet the following performance goals in 2001:

- USTR will work with parties to the World Trade Organization (WTO) to launch an inclusive new negotiating round that covers trade in agriculture and services, achieves further effective market access

liberalization, and strengthens and extends WTO rules; negotiate cuts in specific identified barriers to U.S. and global trade; and effectively enforce international trade agreements.

- The Export-Import Bank will develop new mechanisms to expand the availability of financing for U.S. exports by pioneering joint ventures with the private sector, as well as innovative financing programs that will increase the Bank's support for small and medium-sized exporters.
- OPIC will increase, from 1999 levels, the amount of private U.S. investment that supports American, foreign policy and development goals and benefits the U.S. economy.
- TDA will increase, from 2000 levels, the ratio of TDA-supported exports to TDA expenditures and the percentage of TDA projects that ultimately yield U.S. exports.
- U.S. Agency for International Development (USAID), through bilateral assistance, and the Treasury Department, through its contributions to the MDBs, will provide assistance that helps to increase the real annual per capita GDP growth rate from 1999 levels in developing countries.

American Citizens and U.S. Borders

The State Department, through the U.S. passport office and the network of embassies and consulates overseas, helps and protects Americans who travel and reside abroad—most directly through various consular services, including citizenship documentation and help in emergencies. The Department also helps to control how immigrants and foreign visitors enter and remain in the United States by effectively and fairly administering U.S. immigration laws overseas and screening applicants, in order to deter illegal immigration and prevent terrorists, narcotics traffickers and other criminals from entering the United States.

The State Department will meet the following performance goal in 2001:

- Improve U.S. passport security by issuing all passports produced in the United States with a digitized passport photo.

Law Enforcement

The expansion and rising sophistication of transnational crime, international drug trafficking and terrorism represent direct threats to our national security. The State Department has broad responsibility for Federal law enforcement policy and program coordination in the foreign arena. The budget funds the State Department's diplomatic efforts to convince other countries to work cooperatively to address international criminal threats; it also funds add distance and training that helps other countries combat corruption, terrorism, and illegal narcotics, and provides the developing countries with economic alternatives to narcotics cultivation and export.

The State Department, working with the Departments of Justice, the Treasury, and Defense, will meet the following performance goals in 2001:

- Increase, from 1999 levels, the number of foreign governments that enact and enforce legislation to combat corruption, money laundering, and other transnational criminal activities.
- Reduce from 1999 levels, the hectares of coca and opium poppies being cultivated in producing countries.
- Increase, from 1999, levels, criminal justice section training, providing equipment, and technical assistance to local and federal law enforcement organizations.

Democracy

Advancing U.S. interest in the post-Cold War world often requires efforts to support democratic transitions, address human rights violations, and promote U.S. democratic values. The budget funds the State Department efforts that are intended to discourage other nations' interference with basic democratic activities, that helps countries develop the institutions and legal structures for the transition to democracy. Finally, the budget funds exchange and training programs of the State Department, as well as international broadcasting programs that seek to the world

and ensure that Americans understand and value the peoples and cultures of other nations.

Relevant agencies will meet the following performance goals for 2001:

- USAID, State Department public diplomacy programs, and international broadcasting programs will provide assistance that lead to the improvement of Freedom House ratings of countries in which the United States is assisting the transition to democracy.
- As a result of State Department diplomacy and direct assistance, the instances of human rights abuses as reported by the State Department in the annual U.S. Report on Human Rights will be reduced from 1999 levels.
- Public diplomacy activities will increase, from 1999 levels, the support for democracy, democratic institutions, and human rights in selected countries that participate in the programs, as measured through polling.

Humanitarian Response

U.S. values demand that we help alleviate human suffering from foreign crisis whether man-made or natural, even in cases with no direct threat to U.S. security interests. The budget provides the necessary funds to address and, where possible, try to prevent, humanitarian crises through USAID's Foreign Disaster Assistance and Transition Initiatives programs, the State Department's Migration and Refugee Assistance program, and food aid provided under Public Law 480 authorities. The budget also funds U.S. bilateral demining efforts to address the growing humanitarian crisis caused by land mines in areas of former conflict.

Relevant agencies will meet the following performance goals for 2001:

- USAID, in conjunction with other public and private donors, will provide humanitarian assistance that will maintain the nutritional status of children aged five or under living in regions affected by humanitarian emergencies.

- The State Department will reduce refugee populations, from 1999 levels, through U.S.-sponsored integration, repatriation, and resettlement activities.
- The State Department will increase, from 1999 levels, the amount of land returned to productive economic activity by clearing mines and other unexploded ordnance. Over time, this will also result in a reduction of innocent casualties.

Global Issues

The global problems of environmental degradation, population growth, and the spread of communicable diseases directly affect future U.S. security and prosperity. Increased funding for international family planning efforts, prevention of the global spread of HIV/AIDS, and protection of the world's dwindling tropical forests, represent new or expanded initiatives to address the causes of these problems. In addition, continued funding of bilateral efforts to address global climate change in developing countries, as well as funding of current commitments and arrears to the Global Environment Facility, remain critical to the effort to reduce global environmental degradation.

Finally, the volunteer programs of the Peace Corps serve U.S. national interests by promoting mutual understanding between Americans and the people of developing nations and providing technical assistance to interested countries.

Relevant agencies will meet the following performance goals in 2001:

- USAID, working with the Departments of Health and Human Services, Defense and Labor, and with other donors and national governments, will provide assistance that will reduce, from 1999 levels, HIV transmission and impact of the HIV/AIDS pandemic in the developing countries in which the Administration's global HIV/AIDS initiative is implemented, as measured by the incidence of HIV among 15 to 24 year-olds.
- USAID will provide assistance, in conjunction with other donors, that will reduce unintended and mistimed pregnancies, as measured by a reduction in the Total Fertility Rate from 1999 levels in countries in which USAID provides family planning assistance.
- USAID, working with the Department of the Treasury and other agencies and donors, will provide assistance that improves conservation of biologically significant habitat as measured by an increase in nationally protected areas over 1999 levels.
- USAID, working with the Department of State and other agencies and donors, will provide assistance that will reduce the threat of global climate change, as measured by reduced carbon dioxide industrial emissions compared to 1999 levels.
- The Peace Corps will provide opportunities for 4,200 Americans in 2001 to enter service as new volunteers, assisting countries with their development needs and increasing cultural awareness.

13. GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Table 13-1. Federal Resources in Support of General Science, Space, and Technology
(In millions of dollars)

Function 250	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	18,793	19,192	20,761	21,179	21,471	22,094	22,495
Mandatory Outlays:							
Existing law	42	102	66	34	34	34	34
Tax Expenditures:							
Existing law	3,595	2,875	5,245	5,675	5,060	4,850	3,915

Science and technology are principal agents of change and progress, with over half of the Nation's economic productivity growth in the last 50 years attributable to technological innovation and the science that supported it. Appropriately enough, the private sector makes many investments in technology development. The Federal Government, however, also plays a role—particularly when risks are too great or the potential return for companies is too long-term.

Within this function, the Federal Government supports areas of cutting-edge science, through the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), and the Department of Energy (DOE). The activities of these agencies contribute to greater understanding of the world in which we live, ranging from the edges of the universe to the smallest imaginable particles, and to new knowledge that may or may not have immediate applications to improving our lives. Because the results of basic research are unpredictable, developing performance goals for this area presents unique challenges.

Each of these agencies funds high-quality research and contributes to the Nation's cadre of skilled scientists and engineers. To continue this tradition, and as a general goal for

activities under this function, at least 80 percent of the research projects will be reviewed by appropriate peers and selected through a merit-based competitive process. In 1999, 94 percent of the project funds awarded through grants by NSF, 82 percent by NASA, and 91 percent by DOE were reviewed by appropriate peers and selected through a merit-based competitive process. Because these percentages are based on data that do not reflect the entire research activity at all agencies, the Administration will need to reform the definitions in next year's report.

Another important Federal role is to construct and operate major scientific facilities and capital assets for multiple users. These include telescopes, satellites, oceanographic ships, and particle accelerators. Many of today's fast-paced advances in medicine and other fields rely on these facilities. As general goals, agencies will keep the development and upgrade of these facilities on schedule and within budget, not to exceed 110 percent of estimates. In 1999, NASA development and upgrades were within 113 percent of cost estimates and 108 percent of schedule estimates, and those within DOE were within 100 percent of cost and schedule estimates. In operating the facilities, agencies will keep the operating time lost due to unscheduled

downtime to less than 10 percent of the total scheduled possible operating time, on average. In 1999, NASA developed a baseline for loss of scheduled operating time due to scheduled downtime of 5.6 percent to enable them to report next year on unscheduled downtime. DOE user facilities kept unscheduled downtime to nine percent. NSF is in the process of developing a database, and will report in next year's budget.

One of the specific areas in which the Federal Government has invested is the Internet, which has changed the lives of millions of Americans. Previous Federal investments helped to establish the Internet, and current investments are making the Internet faster and available to more Americans. Since 1998, the Federal Government has invested in the Next Generation Internet Initiative, which focuses on a variety of ways to improve the operation of the network. For example, it is focusing on how to make the Internet operate at speeds 100 to 1,000 times faster than the current Internet to allow a typical user to view routinely highly-detailed pictures and to explore complex data bases. In 1999, the testbed connected over 100 sites to a network that will deliver speeds 100 times faster than the 1998 Internet, and over 10 sites to a second network that will deliver speeds 1,000 times faster. This initiative is also examining ways to ensure that information transferred over the Internet is used only by the intended user for its intended purpose, and to make the Internet as reliable as local telephone service while greatly reducing the effort required to administer and manage the network.

The budget proposes \$20.76 billion to conduct activities in support of general science, space, and technology. The Government also stimulates private investment in these activities through over \$5 billion a year in tax credits and other preferences for research and development (R&D).

National Aeronautics and Space Administration

The budget proposes \$13.1 billion for NASA activities in this function. NASA serves as the lead Federal agency for research and development in civil space activities, working

to expand frontiers in air and space to serve America and improve the quality of life on Earth. NASA pursues this vision through balanced investment in four enterprises—Space Science, Earth Science, Space Transportation Technology, Human Exploration and Development of Space—and mission support to carry out these activities.

NASA's achievements in 1999 included direct and independent confirmation of the existence of extrasolar planets; production of a global, three-dimensional map of Mars; successful launch and operation of the Chandra X-ray Observatory, which is now returning unprecedented images of never-before-seen objects beyond our galaxy; improvement in measuring global rainfall from an uncertainty of 50 percent to 25 percent; and, the first successful docking of the Space Shuttle to the International Space Station.

Space Science programs, for which the budget proposes \$2.4 billion, are designed to enhance our understanding of how the universe was created, what fundamental rules govern its evolution, how stars and planets evolve and die, how space phenomena affect Earth, and the possible existence of life beyond Earth. In 1999, NASA developed and launched seven spacecraft with an average 3.8 percent cost overrun, although two Mars missions failed to return data. The NASA Advisory Council indicated that eight of the eight NASA performance plan objectives for Space Science have been successfully met. In 2001,

- NASA will successfully launch at least four of its six planned spacecraft—the Mars Surveyor—01 Orbiter, the Genesis mission, the Galaxy Evolution Explorer, the Microwave Anisotropy Probe, Cooperative Astrophysics and Technology Satellite, and Gravity Probe B—within 10 percent of their schedules and budgets. For those spacecraft already successfully launched, NASA Space Science will meet expected operations performance for at least 80 percent of its operating missions;
- NASA's Advisory Council will rate the Space Science performance plan objectives as being successfully met. Examples of objectives include: investigate the composition, evolution and resources of Mars, the

Moon, and small solar system bodies such as asteroids and comets; identify planets around other stars; and observe the evolution of galaxies and the intergalactic medium; and,

- NASA will continue and expand the integration of education and enhanced public understanding within its research and flight mission programs. Space Science funded education and outreach activities will be in planning or implementation in at least 34 States.

Earth Science programs, for which the budget proposes \$1.4 billion, focus on the effects of natural and human-induced changes on the global environment through long-term, space-based observation of Earth's land, oceans, and atmospheric processes. In 1999, NASA launched two spacecraft, Landsat-7, and the Quick Scatterometer. Users have routinely received earth science data products within five days of receipt or production of the requested data product. The NASA Advisory Council indicated that 29 of 35 performance targets were successfully met. In 2001,

- NASA will successfully launch and operate at least two of three planned spacecraft—Aqua, IceSat, and Triana—within 10 percent of their schedules and budgets;
- NASA will increase by 20 percent the volume of climate data it archives over the 2000 target of 368 terabytes, increase the number of products delivered from its archives by 10 percent over 2000, and make the data available to users within five days; and,
- NASA's Advisory Council will rate all near-term Earth Science objectives as being met or on schedule. Examples of objectives include: observe and document land cover and land use change and impacts on sustained resource productivity; and understand the causes and impacts of long-term climate variations on global and regional scales.

Aero-Space Technology programs, for which the budget proposes \$616 million, work with the private sector to develop and test experimental launch vehicles that reduce the cost of access to space. In 1999, the X-33 program

began testing of the liquid hydrogen tank and the aerospike engine resulting in a decision to redesign the tank. The X-34 program initiated hotfire testing of the Fastrac engine and completed delivery roll out and systems verification review of the first flight vehicle. In 2001,

- the X-34 program will complete assembly of the third experimental test vehicle; and,
- the X-37 program will commence vehicle assembly.

Human Exploration and Development of Space programs, for which the budget proposes \$5.5 billion, focus on the use of human skills and expertise in space. In 1999, the space shuttle achieved a 60 percent increase in predicted reliability over the 1995 levels, observed an average of 4.75 anomalies per flight, achieved an on-time launch rate of 67 percent, and achieved a 12-month flight preparation cycle. The International Space Station program delivered the first two elements of the orbiting laboratory to space, and conducted successful operations throughout the year. In 2001,

- NASA will successfully complete no less than 85 percent of planned operations schedules and milestones for 2001 for the International Space Station. For example, NASA will conduct permanent on-orbit operations with an estimated 8,000 crew hours dedicated to assembly, vehicle operations, and payload operations; and
- NASA will ensure that Space Shuttle safety, reliability, availability and cost will improve, by achieving seven or fewer flight anomalies per mission, successful on-time launches 85 percent of the time, and a 12-month manifest preparation time. NASA will complete the checkout launch and control system application for the Orbiter Processing Facility.

National Science Foundation

The budget proposes \$4.5 billion in 2001 for NSF in this function. While NSF represents just three percent of Federal R&D spending, it supports nearly half of the non-medical basic research conducted at academic institutions, and 30 percent of Federal support for mathematics and science edu-

cation. In 1999, NSF-funded scientists uncovered the structural basis that explains a virus' ability to force host cells to manufacture the virus' own proteins. This is important for understanding retroviruses, which are responsible for causing many cancers in vertebrates. In addition, the May 3, 1999, tornado outbreak in Central Oklahoma was used to test a regional forecast system developed at an NSF-funded center. The storm-scale forecast showed improved predictive ability and increased precision. As this forecasting capability is further developed, it will become a critical tool in determining which areas will be most severely hit by storms, allowing sufficient and timely warnings to be issued to persons in affected areas.

NSF research and education investments are made in three primary areas:

Ideas: Approximately one-half of NSF's resources support research projects performed by individuals, small groups, and centers. In 2001,

- an independent panel will judge whether research results in the period demonstrate sufficient progress toward achieving a robust and growing fundamental knowledge base; important discoveries; partnerships connecting discovery to innovation, learning and societal advancement; and research and education processes that are synergistically coupled; and,
- NSF will maintain the 2000 goal of having a minimum of 30 percent of competitive research grants go to new investigators. In 1999, 27 percent of competitive research grants went to new investigators.

Tools: NSF investments provide state-of-the-art tools for research and education, such as instrumentation and equipment, multi-user facilities, accelerators, telescopes, research vessels and aircraft, and earthquake simulators. In addition, resources support large databases as well as computation and computing infrastructures for all fields of science, engineering, and education. Nearly a quarter of NSF's budget provides the tools required for cutting-edge research. In 2001,

- NSF facilities will continue to meet the function-wide goals to remain within cost and schedule, and to operate efficiently.

People: Activities to facilitate development of a diverse and talented work force of scientists, engineers, and well-prepared citizens account for about 25 percent of NSF's budget. NSF supports formal and informal science, mathematics, engineering, and technology education at all levels, including multi-disciplinary education and training for graduate students. In addition, resources support projects to develop curriculum, enhance teacher training and professional development, and provide educational opportunities for students from pre-K through postdoctoral. In 1999, 40 NSF-sponsored projects implemented mathematics and science standards-based curricula in over 81 percent of participating schools, and provided professional development for more than 156,000 teachers. All participating educational systems demonstrated some level of improvement in student achievement in mathematics and science on a battery of system-selected assessment instruments. Moreover, in 1999, systemic initiatives and related teacher enhancement programs provided intensive professional development to a total of 82,400 teachers, exceeding the goal of 65,000. For 2001, NSF will continue to adhere to the following goal:

- Over 80 percent of schools participating in a systemic initiative program will: 1) implement a standards-based curriculum in science and mathematics; 2) further professional development of the instructional work force; and, 3) improve student achievement on a selected battery of tests, after three years of NSF support.

Department of Energy

The budget proposes \$3.2 billion in 2001 for DOE science programs and supporting activities. DOE operates major scientific facilities including particle accelerators, magnetic plasma confinement reactors for fusion research, synchrotron light sources, neutron sources, supercomputers, and high-speed networks that researchers use in fields ranging from the physical and materials sciences to the biomedical and life sciences. These facilities are available, on a competitive basis,

to scientists and engineers in universities, industry and other Federal agencies.

In 1999, an international team of nuclear scientists at DOE's Lawrence Berkeley National Laboratory added three new elements to the periodic table. Elements 116 and 118 are the heaviest yet created and confirm physicists' long-standing prediction of an "island" within the Periodic Table of the elements where heavier nuclei become increasingly stable. In addition, DOE-funded university researchers have developed a new class of organic magnets that are stable in air. For some of these materials, their magnetism can be switched on or off using light, a process found only in molecular or polymer-based magnets. The potential applications of these new materials are only beginning to be explored.

The budget proposes \$1.02 billion for Basic Energy Sciences (BES), which supports basic research in the materials, chemical and engineering sciences, geosciences, and plant and microbial biosciences. As part of its mission, BES plans, constructs, and operates major scientific user facilities. In 1999, DOE redesigned the Spallation Neutron Source to have a more defensible cost and schedule baseline. In 2001,

- DOE will meet the cost and schedule milestones for upgrade and construction of scientific user facilities, including the construction of the Spallation Neutron Source, as confirmed by regular external independent reviews.

The budget proposes \$182 million for Advanced Scientific Computing Research, which supports applied mathematics, computer science, and networking research and operates supercomputer, networking and related facilities to enable the analysis, simulation, and prediction of complex physical phenomena. In 1999, DOE-funded computer scientists developed a technique that reduces the time it takes to process a three-dimensional x-ray image from overnight to less than 20 minutes. This advance will greatly improve the productivity of the Nation's synchrotron light sources. By the end of 2001,

- the National Energy Research Scientific Computing Center will deliver 3.6 Teraflop capability to support DOE's science mission.

The budget proposes \$445 million for Biological and Environmental Research (BER), which supports basic research to identify, understand, and anticipate the long-term health and environmental consequences of energy production, development, and use. In 1999, BER-funded scientists determined the complete gene sequence of three microbes: the radiation-resistant *Deinococcus radiodurans*, the pollutant-eating *Shewanella putrefaciens*, and the carbon-fixing *Chlorobium tepidum*. In 2001,

- DOE, through its Joint Genome Institute, will meet its commitment to sequence three of the 24 human chromosomes as part of an international effort to sequence the entire human genome. DOE will sequence and submit to public databases at least 10 percent of the human genome with an accuracy of 99.9 percent.

The budget proposes \$1.08 billion for High Energy and Nuclear Physics, which strives to understand the nature of matter and energy in terms of the most elementary particles and forces and to more completely explain the structure and interactions of atomic nuclei. In the third quarter of 1999, construction of the Relativistic Heavy Ion Collider was completed on schedule and within budget. In 2001,

- DOE will make progress in achieving luminosity and operational efficiency goals for the B-factory at the Stanford Linear Accelerator Center, and begin Fermilab's Tevatron Extended Run II, which has the potential to discover a new class of elementary particles.

The budget proposes \$247 million for DOE's Office of Fusion Energy Sciences, which conducts research to advance plasma science, fusion science, and fusion technology. In 2001,

- DOE will deliver the first physics results from the radio-frequency driven Electric Tokamak.

Tax Incentives

Along with direct spending on R&D, the Federal Government has sought to stimulate private investment in these activities with tax preferences. The current law provides a 20-percent tax credit for private research and experimentation expenditures above a certain base amount. The credit, which expired in 1999, was retroactively reinstated for five years, to 2004, in the Tax Relief Extension Act of 1999. The credit will cost \$3.4 billion

in 2001 and \$14.2 billion from 2001 to 2005.

A permanent tax provision also lets companies deduct, up front, the costs of certain kinds of research and experimentation, rather than capitalize these costs. This tax expenditure will cost \$1.9 billion in 2001. Finally, equipment used for research benefits from relatively rapid cost recovery. The cost of this tax preference is calculated in the tax expenditure estimate for accelerated depreciation of machinery and equipment.

14. ENERGY

Table 14-1. Federal Resources in Support of Energy

(In millions of dollars)

Function 270	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	2,863	2,569	2,943	3,342	3,142	3,219	3,311
Mandatory Outlays:							
Existing law	-2,217	-4,473	-3,759	-3,924	-3,699	-4,012	-3,971
Credit Activity:							
Direct loan disbursements	1,128	1,719	1,623	N/A	N/A	N/A	N/A
Guaranteed loans	16	133	176	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,880	1,930	1,940	1,955	1,305	1,350	1,380
Proposed legislation			198	371	652	1,143	1,561

N/A = Not available.

Federal energy programs contribute to energy security, economic prosperity and environmental protection. Funded mainly through the Energy Department (DOE), they range from protecting against disruptions in petroleum supplies, to conducting research on renewable energy sources, to cleaning up DOE facilities contaminated by years of nuclear-related research activities. The Administration proposes to spend \$2.9 billion for these programs. In addition, the Federal Government allocates about \$1.9 billion a year in tax benefits, mainly to encourage development of traditional and alternative energy sources.

The Federal Government has a longstanding and evolving role in energy. Most Federal energy programs and agencies have no State or private counterparts and clearly involve the national interest. The federally-owned Strategic Petroleum Reserve, for instance, protects against supply disruptions and the resulting consumer price shocks, while Federal regulators protect public health and the environment and ensure fair, efficient energy rates. DOE's applied research and development (R&D) programs in fossil, nuclear, solar/renewable energy and energy conservation speed the development of technologies, fre-

quently through cost-shared partnerships with industry. The programs not only open new opportunities for American industry, but reach beyond what the marketplace demands today, putting the Nation in a better position to meet the demands of tomorrow.

Energy Resources and R&D

Strategic Petroleum Reserve (SPR): DOE maintains SPR and invests in R&D to protect against petroleum supply disruptions and reduce the environmental impacts of energy production and use.

SPR was authorized in 1975, in response to the oil embargoes of the early 1970s. The Reserve now holds 567 million barrels of crude oil in underground salt caverns at four Gulf Coast sites. SPR helps protect the economy and provide flexibility for the Nation's foreign policy in case of a severe energy supply disruption.

- In 2001, DOE will maintain its capability to reach a SPR drawdown rate of about four million barrels a day within 15 days and to maintain that rate for at least 90 days.

Applied R&D: DOE's energy R&D investments cover a broad array of resources and technologies to make the production and use of all forms of energy—including solar and renewables, fossil, and nuclear—more efficient and less environmentally damaging. These investments not only lay the foundation for a more sustainable energy future but also open major international markets for manufacturers of advanced U.S. technology and enhance our nation's energy security.

DOE's energy efficiency, renewable energy, and electric energy systems programs form a major part of the Administration's Climate Change Technology Initiative, which is intended to find ways to reduce emissions of carbon dioxide and other greenhouse gases in ways that benefit our economy rather than constrain it. (For more details, see Chapter 5, "Promoting Research.")

Energy Conservation

Energy conservation programs, for which the budget proposes \$851 million, are designed to improve the fuel economy of various transportation modes, increase the productivity of our most energy-intensive industries, and improve the energy efficiency of buildings and appliances. They also include grants to States to fund energy-efficiency programs and low-income home weatherization. Each of these activities benefits our economy and reduces emissions of carbon dioxide and other greenhouse gases, and many rely on partnerships with the private sector for cost-sharing and commercialization.

Past Results: Energy-efficiency technologies that have already come to market include heat-reflecting windows, high-efficiency lights, geothermal heat pumps, high-efficiency electric motors and compressors, and software for designing energy-efficient buildings. These five technologies alone have saved consumers and industry over \$33 billion in energy costs. In 1999, commercialization efforts were completed for geothermal heat pumps, and full-size electrochromic windows (which darken electrically) and spectrally-selective windows (which block ultraviolet and infrared light) were demonstrated.

In 2000:

- Daimler-Chrysler, Ford, and General Motors have recently shown the concept cars that represent the first major results of the Partnership for a New Generation of Vehicles.

In 2001:

- The Federal Energy Management Program (FEMP) will exceed the original Energy Policy Act of 1992 goal of a 20-percent reduction in the Government's energy use per square foot of office space (relative to 1985) by reaching a 22-percent reduction. (In 1999 FEMP nearly reached that goal a year ahead of schedule, achieving a 19.6 percent reduction.)
- Industry will produce 45,000 vehicles that incorporate light-weight materials whose development was supported by DOE's Office of Transportation Technologies.
- Alcohol-fuel companies will produce six million gallons of cellulose-derived ethanol, based on DOE technologies.
- The Office of Industrial Technologies will see 10 of their technologies commercialized, bringing the total to 144. Annual energy savings to the U.S. economy from technologies they have supported will reach 170 trillion Btu, with another 90 trillion Btu saved annually from their industry assessment and technology-transfer programs.
- Local recipients of DOE grant funds will weatherize 76,000 low-income homes.

Solar and Renewable Resources: Solar and renewable resources programs, for which the budget proposes \$334 million, focus on technologies that will help the Nation use its abundant renewable resources such as wind, solar, and biomass to produce low-cost, clean energy that contributes no net carbon dioxide to the atmosphere. The United States is the world's technology leader in wind energy, with a growing export market and production costs that have fallen dramatically. In addition, photovoltaics are becoming more useful in remote power applications, and new biofuels plants are being constructed. DOE also is coordinating the President's Million Solar Roofs initiative, whose goal is to facilitate the installation of one million solar roof installations

(a mixture of solar heat/hot water and photovoltaics) by 2010. Two programs that were formerly presented as part of Solar and Renewable Energy are now presented separately: electric energy systems (\$48 million) and hydrogen R&D (\$23 million). Departmental energy management is a new line-item (\$5 million).

Past Results: The DOE wind energy program developed a new generation of airfoil designs for wind turbine blades, which have been incorporated into U.S.-made wind turbines in the 1990s, resulting in up to 30 percent better efficiency. The cost of wind-generated electricity has dropped from 35 cents per kilowatt-hour (kWh) in 1980 to less than five cents per kWh in 1999. (The program has set a very ambitious goal of reducing those costs to 2.5 cents by 2002.) From 1990 to 1999, the production cost per watt of photovoltaic (PV) panels has dropped by a factor of six, and shipments of PV panels have roughly tripled. The cost of geothermal electricity dropped by half from 1980 to 1990 (from 12 to six cents per kWh), and has dropped another one-third between 1990 and 1999, to less than four cents per kWh. States, cities, and Federal agencies to date have pledged 912,000 “solar roofs” over the next eight years, including 200,000 new pledges in 1999.

In 2001, DOE’s Solar and Renewable Resources program will:

- support the President’s Million Solar Roofs initiative through partnerships and technical assistance so that at least 40,000 solar roofs will be installed in 2001 (51,000 installations have been completed, an increase of 26,400 in 1999).
- aid in the expansion of non-hydropower renewable energy capacity in the U.S. to 10.9 gigawatts.
- continue pushing the technological state-of-the-art:
 - achieve 14 percent stable efficiency in a thin-film photovoltaic module;
 - complete a second commercial-scale test of co-firing switchgrass with coal; and,
 - reduce the cost of geothermal power from “binary” plants to 3.5 cents/kWh.

Electric Energy Systems: The budget proposes \$48 million for these activities, which in previous years have been described as part of the solar and renewable energy budget. These programs focus on technical advances in electricity transmission and storage and on the efficiency and reliability of the nation’s electrical grid. The largest activity is in high-temperature superconductivity R&D, which can greatly increase the efficiency of generators and heavy electrical machinery, and which can dramatically increase the carrying capacity of high-voltage transmission lines.

In 1999, for the first time in the world, a high-temperature superconducting cable provided commercial grid electricity to a manufacturing plant—enough electricity to power a small town.

- In 2001, DOE will make available “second generation” high-temperature superconducting wires in continuous lengths.

Fossil Energy R&D: Fossil fuel energy R&D programs, for which the budget proposes \$376 million, help industry develop advanced technologies to produce and use coal, oil, and gas resources more efficiently and cleanly. Federally-funded development of clean, highly-efficient gas-fired and coal-fired generating systems aim to reduce greenhouse gas emission rates, while reducing electricity costs compared to currently available technologies. These programs also include efforts to discover effective, efficient, and economical means of sequestering carbon dioxide. The programs also help boost the domestic production of oil and natural gas by funding R&D projects with industry to cut exploration, development, and production costs.

Past Results: In 1999, DOE demonstrated a more efficient and less costly drilling and completion technology that could ultimately add six trillion cubic feet (TCF) of domestic gas reserves; demonstrated four advanced oil production enhancement technologies that contributed to adding 46 million barrels of incremental domestic oil reserves; and began full-scale component testing of two advanced, utility-scale turbines that are more efficient and less polluting than current technologies.

In 2001, DOE will:

- Demonstrate the feasibility of effectively separating hydrogen and CO₂ from synthetic gas using both high-temperature hydrogen separation membranes, and low-temperature CO₂ hydrate technology to meet the long-term goals of providing low-cost hydrogen for high-efficiency fuel cells and for concentrating CO₂ into forms that can be “sequestered,” e.g., buried or otherwise kept out of the atmosphere;
- Complete evaluation of the results of an international collaborative research project on CO₂ injection into deep, unmineable coal seams for sequestration; and
- The advanced research materials program will test a high gas flux oxygen separation device that promises more efficient, less expensive gas separation techniques that can improve powerplant efficiency, and can aid carbon sequestration efforts.

Nuclear Energy R&D: Nuclear fission power is a widely used technology, providing about 19 percent of the electric power consumed in the United States and about 17 percent worldwide without generating greenhouse gases. If fossil plants were used to produce the amount of electricity generated by these nuclear plants, more than 300 million additional metric tons of carbon would be emitted each year. Continued R&D addressing the issues that threaten the acceptance and viability of nuclear fission in the United States will help determine whether nuclear fission can continue to supply increasing amounts of economically-price energy while reducing greenhouse emissions.

In 2001, DOE will:

- complete identification of feasible and important new reactor and fuel cycle concepts to help improve the cost, performance, safety, or proliferation-resistance of civilian nuclear power for continued development;
- maintain the advanced radioisotope power system program and facility operations and capabilities for current and future space and national security missions;
- complete the National Environmental Policy Act review of the environmental impacts of returning the Fast Flux Test Fa-

cility (FFTF) at Hanford to operation and issue a record of decision; and,

- initiate design of two facilities for processing depleted uranium hexafluoride (DUF₆) at Paducah, Kentucky and Portsmouth, Ohio.

Environmental Quality

Environmental Management: In the Non-Defense Environmental Management and Uranium Enrichment Decontamination and Decommissioning Fund, the budget proposes \$589 million to manage the Nation’s most complex environmental cleanup program, the result of more than five decades of research and production of nuclear energy technology and materials. (For information on DOE’s Defense Environmental Management program, see Chapter 11, “National Defense.”) This will reduce environmental risk and manage the waste at: (1) sites run by DOE’s predecessor agencies; (2) sites contaminated by uranium and thorium production from the 1950s to the 1970s; (3) DOE’s inactive uranium processing plant; and, (4) the gaseous diffusion plants operated by the now-private United States Enrichment Corporation.

Past Results: In 1999, DOE completed remediation of three sites: Ames Laboratory in Iowa, Sandia National Laboratory in California, and Princeton Plasma Physics Laboratory in New Jersey. Through 1999, a total of 69 sites have completed remediation.

In 2000:

- DOE plans to complete remediation of two geographic sites.

In 2001, DOE will:

- complete remediation at three geographic sites;
- increase the total number of geographic sites completed to 74 of 113; and,
- fill five canisters with high-level waste at the West Valley Demonstration Project in New York for long-term storage.

Radioactive Waste: DOE’s Civilian Radioactive Waste Management Program oversees the management and disposal of spent nuclear fuel from commercial nuclear reactors and

high-level radioactive waste from Federal cleanup sites. In 2001, DOE will:

- conduct public hearings on the Secretary's consideration of the possible recommendation of the Yucca Mountain, Nevada site for development as a repository;
- complete a review of the Site Recommendation Report that will provide the technical bases for a Site Recommendation Statement;
- complete a Site Recommendation Statement for the Secretary to submit to the President and then the Congress, if the Secretary and the President decide to recommend the site; and,
- if the President and Congress approve the Site Recommendation, work on completing a License Application to the Nuclear Regulatory Commission.

Energy Production and Power Marketing

Power Marketing Administrations: The Federal Government is reshaping programs that produce, distribute, and finance electric power. The four Federal Power Marketing Administrations, or PMAs, (Bonneville, Southeastern, Southwestern, and Western) market electricity generated at 127 multi-purpose Federal dams and manage 33,000 miles of federally-owned transmission lines in 34 States. The PMAs sell about five percent of the Nation's electricity, primarily to preferred customers such as counties, cities, and publicly-owned utilities. The PMAs face growing challenges as the electricity industry moves toward open, competitive markets.

- In 2001, each PMA will operate its transmission system to ensure that service is continuous, reliable, and balanced—that is, that the system achieves a “pass” rating each month under the North American Electric Reliability Council performance standards. Each PMA received a “pass” rating every month during 1999. These measures are used industry-wide and indicate the reliability and quality of power provided by utilities.

Tennessee Valley Authority (TVA): TVA is a Federal Government corporation and the Nation's single largest electric power gener-

ator. It generates four percent of the electric power in the country and transmits that power over its 17,000 mile transmission network to 159 municipal utilities and rural electric cooperatives that serve some eight million customers in seven States.

TVA is responding to changes that are bringing greater competition to the electric power industry by taking steps to maintain its ability to supply power at competitive prices. The agency is now engaged in a major effort to cut its debt. TVA has cut its debt by \$1.3 billion in the past three years.

- In 2001, TVA will reduce its debt by over \$750 million.

(For information on TVA's non-power activities, see Chapter 19, “Community and Regional Development.”)

Rural Utilities Service: In 2001, the Agriculture Department's Rural Utilities Service (RUS) will make \$1.6 billion in direct loans to rural electric cooperatives, public bodies, nonprofit associations, and other utilities in rural areas for generating, transmitting, and distributing electricity. Its main goal is to finance modern, affordable electric service to rural communities. Included within this funding amount is \$400 million for private sector guarantees, which will help rural utility borrowers position themselves to be viable in a competitive, deregulated environment. RUS borrowers continue to provide service in the poorest counties in rural America and to the majority of counties suffering the most from population out-migration.

- In 2001, RUS will upgrade 169 rural electric systems, which will benefit over 1.8 million customers and create or preserve approximately 40,250 jobs.

Energy Regulation

The Federal Government's regulation of energy industries is designed to protect public health, achieve environmental and energy goals, and promote fair and efficient interstate energy markets.

Appliance Efficiency Rules: DOE improves the Nation's use of energy resources through its appliance energy efficiency pro-

gram, which specifies minimum levels of energy efficiency for major home appliances, such as water heaters, air conditioners, and refrigerators, and for commercial-scale heating and cooling components. The initial efficiency standards were established in legislation, and DOE periodically issues rules to revise those standards or to create standards for new categories of equipment.

Past Results: In 1999, DOE issued six new proposed rules. In previous years DOE has issued eight final rules. As a result of the appliance efficiency rules that DOE administers, consumers are saving approximately \$4.7 billion annually in reduced energy costs. In 2001:

- DOE will issue one final rule and three proposed rules and determinations on different categories of appliances.

Federal Energy Regulatory Commission (FERC): FERC, an independent agency within DOE, regulates the transmission and wholesale prices of electric power, including non-Federal hydroelectric power, and the transmission of oil and natural gas by pipeline in interstate commerce. FERC promotes competition in the natural gas industry and in wholesale electric power markets. Recent FERC reforms to give consumers competitive choices in services and suppliers will cut consumer energy bills by \$3 to \$5 billion per year.

In 2001, FERC, in order to promote competitive, well-functioning energy markets, will measure the response of prices to external conditions in natural gas and electricity, the level of price volatility and changes in price volatility in electricity and gas, and the correlation of commodity prices across regions.

DOE Corporate Management

Program and contract management at DOE is a Priority Management Objective of the Administration because more than 90 percent of the Department's budget is spent on contracts to operate its facilities (see Chapter 31, "Improving Government Performance through Better Management.")

All DOE programs may be affected by a proposed consolidation of its security activities within one departmental budget account. The Administration anticipates transmitting a budget amendment to propose this consolidation in early 2000.

Nuclear Regulatory Commission (NRC)

NRC, an independent agency, regulates the Nation's civilian nuclear reactors and the medical and industrial use of nuclear materials and their safeguards, and the disposal of nuclear waste in order to ensure public health and safety and to protect the environment. NRC international activities also promote adequate protection of U.S. interests in nonproliferation and the safe and secure use of nuclear materials in other countries. To meet the challenges of a restructured and deregulated electric utility industry, NRC is committed to adopting a more risk-informed and performance-based approach to regulation. This regulatory framework will focus NRC and licensee resources on the most safety-significant issues, while providing flexibility in how licensees meet NRC requirements.

Past Results: In 1999, NRC and the U.S. nuclear industry achieved the same goals as listed below for 2001: zero radiation-related deaths or illnesses from the operation of civilian reactors or the use and disposal of nuclear materials, and zero significant adverse impacts on public health and safety and the environment from the recovery, clean-up, and disposal of radioactive wastes.

In 2001:

- NRC's nuclear reactor safety goal is for there to be zero radiation-related deaths and illnesses in connection with the operation of civilian reactors.
- NRC's nuclear materials safety goal is for there to be zero radiation-related deaths and illnesses in connection with the use of nuclear materials.
- NRC's nuclear waste safety goal is for there to be zero significant adverse impacts to the current and future public health and safety and the environment from radioactive wastes.

Tax Incentives

Federal tax incentives are mainly designed to encourage the domestic production or use of fossil and other fuels, and to promote the vitality of our energy industries and diversification of our domestic energy supplies. The largest incentive lets certain fuel producers cut their taxable income as their fuel resources are depleted. An income tax credit helps promote the development of certain non-conventional fuels. It applies to oil produced from shale and tar sands, gas produced from a number of unconventional sources (including coal seams), some fuels processed from wood, and steam produced from solid agricultural byproducts. Another tax provision provides a credit to producers who make alcohol fuels—mainly ethanol—from biomass materials. The law also allows a partial exemption from Federal gasoline taxes for gasolines blended with ethanol.

The direct funding in the Climate Change Technology Initiative is complemented by a \$4 billion, five-year package of tax incentives

that will help reduce greenhouse gas emissions by spurring the purchase of energy-efficient products and the use of renewable energy. For homes and buildings, the incentives provide tax credits for the purchase of new energy-efficient homes; for purchase of highly energy-efficient equipment like heat-pump water heaters, natural-gas heat-pumps, and fuel cells; and, for purchases of rooftop photovoltaic and solar hot-water systems. For vehicles, the incentives extend the current tax credit for electric and fuel-cell vehicles, and create a new system of tax credits for hybrid vehicles. To promote renewable energy, the provisions extend the current tax credits for power produced from wind and “closed loop” biomass, and create new credits for certain “open loop” biomass projects, methane from landfills, and co-firing of biomass with coal in existing powerplants. To encourage more industrial use of distributed power generation, a uniform 15-year cost-recovery period is proposed for distributed-power property.

15. NATURAL RESOURCES AND ENVIRONMENT

Table 15-1. Federal Resources in Support of Natural Resources and Environment

(In millions of dollars)

Function 300	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	23,812	24,041	24,940	25,086	25,354	25,957	26,463
Mandatory Outlays:							
Existing law	313	467	600	734	883	816	756
Proposed legislation			-218	-69	-461	-363	-277
Credit Activity:							
Direct loan disbursements	26	30	34	N/A	N/A	N/A	N/A
Guaranteed loans			100	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,480	1,500	1,585	1,645	1,710	1,755	1,820
Proposed legislation			8	41	112	214	315

N/A = Not available.

The Federal Government spends over \$24 billion a year to protect the environment, manage Federal land, conserve resources, provide recreational opportunities, and construct and operate water projects. The Federal Government manages about 700 million acres—a third of the U.S. continental land area.

The Natural Resources and Environment function reflects most Federal support for natural resources and the environment, but does not include certain large-scale environmental programs, such as the environmental clean-up programs at the Departments of Energy and Defense. (See chapter 11, “National Defense” and Chapter 14, “Energy”).

Within this function, Federal efforts focus on providing cleaner air and water, conserving natural resources, and cleaning up environmental contamination. The major goals include:

- protecting human health and safeguarding the natural environment—air, water, and land—upon which life depends;

- restoring and maintaining the health of federally-managed lands, waters, and renewable resources; and,
- providing recreational opportunities for the public to enjoy natural and cultural resources.

The Federal Government made significant progress to achieve these goals in 1999. For example, 85 Superfund site cleanups were completed; over three million acres of mined lands, refuges, park lands, and forests and 128 “at risk” cultural sites on public lands were restored and protected; and, 95 percent of national park visitors and 93 percent of Bureau of Land Management (BLM) recreational users reported being satisfied with their visits, which meets or exceeds goals set for customer satisfaction for 1999.

Federal lands include the 379 units of the National Park System, the 156 National Forests; the 521 refuges in the National Wildlife Refuge System; and the 264 million

acres managed by the BLM mainly in Alaska and 11 Western States (see Chart 15-1).

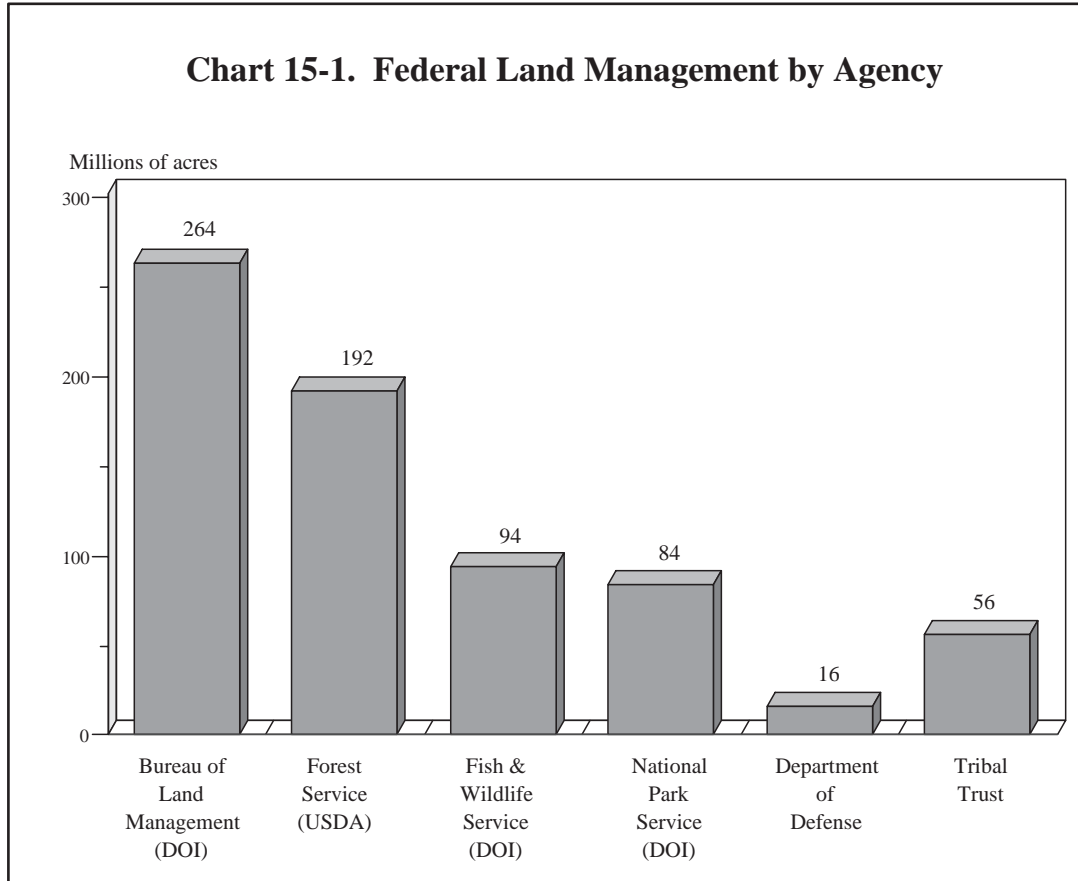
Lands Legacy

In 2001, the \$1.4 billion Lands Legacy initiative will allocate \$600 million from the Land and Water Conservation Fund (LWCF) to acquire Federal lands and interests and provide grants to States to conserve their open space. In addition, Lands Legacy will support: (1) conservation and restoration of lands to preserve wildlife habitat, natural resources, and historic sites; (2) planning assistance for States and local governments to protect local green space, urban parks, and greenways; and, (3) Federal and State efforts to restore ocean and coastal resources.

- In 2001, Interior will acquire approximately 180,000 acres in the California Desert region to complete the Wildlands Conservancy acquisition, 3,300 acres to expand refuges in the Everglades of South Florida, over 400 acres of prime habitat

in two national park units on the Virgin Islands, and key tracts within the boundaries of six Civil War battlefields.

- In 2001, USDA’s Forest Legacy program will support permanent easements for 183,000 acres, up from 158,000 acres in 2000.
- In 2001, USDA’s Farmland Protection Program, which remains part of the Lands Legacy initiative but will be funded through the Administration’s mandatory farm safety net proposal at \$65 million annually, will protect approximately 130,000 acres of farmland threatened by development through permanent easements.
- The National Oceanic and Atmospheric Administration (NOAA) will increase the number of restored acres of coastal habitat by 15,000 acres in 2001.



As a complement to the Lands Legacy initiative, the Administration will propose the Livable Communities initiative that includes, among other components, Better America Bonds, a financing tool funded through federal tax credits, that will generate \$10.8 billion in bond authority over five years for investments by State, local, and Tribal governments. Better America Bonds will be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields and other contaminated lands.

National Parks

The Federal Government spends over \$2 billion a year to maintain a system of national parks that covers over 83 million acres in 49 States, the District of Columbia, and various territories. Discretionary funding for the National Park Service (NPS) has steadily increased (almost five percent a year since 1986) and fee receipts have grown from \$93 million in 1996 to about \$180 million in 1999. Yet, the popularity of national parks has generated even faster growth in the number of visitors, new parks, and additional NPS responsibilities. Over the past 30 years, the number of national park units has grown by 50 percent and the number of national park visits has increased from 164 million to almost 300 million today.

With demands growing faster than available resources, NPS is taking new, creative, and more efficient approaches to managing parks and has developed performance measures against which to gauge progress. NPS and other Department of the Interior bureaus are systematically addressing facility maintenance and construction needs through newly established five-year lists of priority projects. The bureaus will update these lists annually to track progress in addressing top priorities and completing funded projects on time and at cost.

In 2001, NPS will:

- Maintain the percentage of park visitors that summarize their experience as good or very good at 95 percent—the 1999 results of a new survey using an enhanced methodology and covering over 300 parks.

- Help State and local governments through NPS partnerships to add an additional 500 miles of recreational trails, 750 miles of recreational river corridors, and 24,800 acres of recreational parkland, compared to 1,380 trail miles, 420 river miles, and 11,530 parkland acres added in 1999.
- Complete 768 data sets for natural resource inventories in 2001 out of 2,287 required, compared to 223 completed through 1999.

Conservation and Land Management

The 75 percent of Federal land that makes up the National Forests, National Grasslands, National Wildlife Refuges, and the BLM-administered public lands also provides significant public recreation. BLM provides for nearly 75 million recreational visits a year, while over 35 million visitors enjoy wildlife each year at National Wildlife Refuges. With its 133,000 miles of trails, the Forest Service is the largest single supplier of public outdoor recreation, providing 341 million recreational visitor days last year.

Federal lands also provide other benefits. With combined annual budgets of about \$5 billion, BLM and the U.S. Forest Service (USFS) manage lands for multiple purposes, including outdoor recreation, range, timber, watershed, wildlife and fish, and wilderness. BLM, USFS, and NPS have been identified by the Vice President's National Partnership for Reinventing Government as High-Impact Agencies. As part of the efforts to cut red tape and streamline processes, these agencies produced an integrated nationwide outdoor recreation information system that gives all Americans quick and easy electronic access to information about recreation use, permits, and reservations on Federal lands.

Some high-priority reinvention projects include:

“Service First”: Proposed in the 1996 Reinventing Government report, USFS and BLM are working together to deliver seamless service to customers and “boundaryless” care for the land. This began as two pilot projects in Colorado and Oregon to: improve customer service with one-stop shopping; achieve efficiencies in operations to reduce or avoid

costs; and, take better care of the land by taking a landscape approach to stewardship rather than stopping at the traditional jurisdictional boundaries. USFS and BLM are also looking to streamline major business processes to make them work better for both employees and customers.

Financial Management: USFS is implementing a new general ledger system and re-engineering its budget process to better align budget planning and execution with the agency's strategic goals. The 2001 Budget will be presented to Congress using a clear, redesigned budget structure that connects funding categories to performance measures. In this way, forest managers are given the resources to manage the forests with increased accountability in achieving defined goals.

In 2001, the USFS, along with BLM, will propose to decouple their mandatory programs from timber receipts. In 2000, the level of funding for USFS staff to carry out timber stand improvement depends upon the volume of timber harvested. This system has the potential to create an incentive for staff to increase timber production in order to increase payments—an effect that is often times at odds with a desire to manage the national forests according to scientifically determined criteria. The revised policy would restore management and increase accountability, by severing the linkage between program spending and timber harvest volumes, and thereby eliminate concerns that the funds influenced management decisions and financed organizational costs. The new mandatory account structure will preserve funding at known, fixed, and dependable amounts and display budget information more visibly, allowing the agency, Congress and the public an expanded role in funding priority and allocation decisions.

BLM and USFS concentrate on the long-term goal of providing sustainable levels of multiple uses while ensuring and enhancing ecological integrity. Their performance measures include:

- USFS in 2001 will target increased funding to needed watershed restoration work by increasing acres of watershed restoration work by 25 percent (to 25,000 acres) over 2000 levels of 20,000 acres; increas-

ing the acres of noxious weed control by 52 percent (to 85,000 acres) over 2000 levels of 56,000 acres; maintaining the pace of obliterating existing roads at the 2000 level (2,500 miles), as compared to 1,200 miles in 1998; and increasing the number of acres treated for fire hazard reduction to a minimum of 1.5 million, compared to a 2000 planned level of 1.3 million.

- For priority watersheds, BLM will enhance the ecological integrity of an additional 2,000 miles of riparian areas and 135,000 acres of wetlands in 2001, compared to 1,700 miles and 128,000 acres enhanced in 1999; BLM will also treat 300,000 acres for fire hazard reduction by prescribed fire and mechanical means, compared to 1997 levels of 70,000 acres.

The Interior Department's Fish and Wildlife Service (FWS), with a budget of \$1.75 billion, manages 94 million acres of refuges and, with the Commerce Department's National Marine Fisheries Service (NMFS), protects species on Federal and non-Federal lands.

- In 2001, FWS will again ensure that the refuge acreage is protected, of which 3.5 million acres will be enhanced or restored. In 1999, FWS met its goal of enhancing or restoring 3.3 million acres of refuge land.
- FWS will also increase by one million acres the number of protected, non-Federal acres in Habitat Conservation Plans up from 2.5 million in 1999; keep 20 more species off the endangered species list, compared to a 1998 baseline of seven species kept off the list; and, improve or stabilize the populations of 37 percent of species listed a decade or more, over a 1998 baseline of 36 percent.
- NMFS will implement programs in 2001 to reduce the number of overfished fisheries from 95 to 74 out of the 286 overfished stocks.

Half of the continental United States is crop, pasture, and rangeland. Two percent of Americans manage this land—farmers and ranchers. The Department of Agriculture's (USDA) Natural Resources Conservation Service provides technical assistance to them to improve land management practices.

Under USDA's Wetlands Reserve Program (WRP), the Federal Government buys long-term or permanent easements from landowners that take the land out of production and restore it to wetlands. Landowners receive up to 100 percent of the fair market agricultural value for the land and cost-share assistance to cover the wetland restoration expenses. At the end of 2000, cumulative acreage in the WRP will total 935,000.

- In 2001, WRP acreage enrollment activity will reach the authorized cap of 975,000 acres. In support of the Administration's farm safety net proposal and the Clean Water Action Plan, the 2001 budget proposes to increase enrollment to 250,000 acres annually through 2010.
- USDA will use a number of programs to address the goals outlined in the Clean Water Action Plan's Animal Feeding Operations Strategy, resulting in the installation of 15,000 animal waste management systems to protect water from agricultural pollution, an increase of 64 percent over 2000.
- Through several programs, USDA will also implement resource management systems to control erosion and improve habitat on 6.0 million acres of grazing lands, compared to 5.8 million acres in 2000.

USDA's Environmental Quality Incentives Program (EQIP), which provides funds to farmers and ranchers to adopt sound conservation practices, will again target funds in 2001 to conservation priority areas such as Maine's Penobscot Nation and Texas's Edwards Aquifer. These areas use EQIP funds to address problems ranging from erosion to threatened and endangered species to water quality. The budget proposes \$325 million in mandatory funding for EQIP, a \$151 million increase above 2000, in support of the farm safety net proposal and the Clean Water Action Plan. For more information on conservation and USDA's investment in land management, see Chapter 18, "Agriculture."

Everglades and California Bay-Delta Restoration

Federal and non-Federal agencies are carrying out long-term restoration plans for several nationally significant ecosystems, such as those in South Florida and California's Bay-Delta. The South Florida ecosystem is a national treasure that includes the Everglades and Florida Bay. Its long-term viability is critical for the tourism and fishing industries, and for the water supply, economy, and quality of life for South Florida's six million people. Economic development and water uses in California's San Francisco Bay-San Joaquin Delta watershed have diminished water quality, degraded wildlife habitat, endangered several species, and reduced the estuary's reliability as a water source for two-thirds of Californians and seven million acres of highly productive agricultural land.

The Vice President announced the completion of the comprehensive plan to restore the Everglades on July 1, 1999. This plan will also accommodate other demands for water and related resources in South Florida. The Administration will submit legislation to authorize this plan in 2000. By September 30, 2002, five of the 68 currently known federally endangered and threatened species in South Florida will be able to be "down-listed" or removed from the list.

The Bay-Delta program expects during 2000 to select the preferred long-term plan to solve critical water-related problems in the California Bay-Delta. The plan will contain specific, measurable performance goals for levee protection, ecosystem restoration, and water conservation, storage, and conveyance.

- In 2001, as part of implementing that plan, participating agencies expect to make up to 200,000 acre-feet of water available to Federal water project contractors that would not otherwise have been available.

Scientific Support for Natural Resources

The management of lands, the availability and quality of water, and improvements in the protection of resources are based on sound and objective natural resources science. Interior's U.S. Geological Survey (USGS) provides research and information to land managers and the public to better understand ecosystems and species habitat, land and water resources, and natural hazards. In 1999, USGS provided impartial scientific information by delivering results from more than 900 investigations to natural resource managers, other decision-makers, and the public to assist sound natural resource management.

In 2001, the USGS will participate in the Lands Legacy initiative with a budget that includes \$50 million for this initiative, including \$30 million to the Community/Federal Information Partnership, an inter-agency effort to provide communities with the geospatial information and GIS technological assistance they need to make sound planning decisions and preserve open space. Communities will also receive earth science data to improve mapping, data analysis, and planning capabilities.

The Commerce Department's NOAA manages ocean and coastal resources in the 200-mile Exclusive Economic Zone and in 12 National Marine Sanctuaries. Its National Ocean Service and NMFS manage 201 fish stocks, 163 marine mammal populations, and their associated coastal and marine habitats. NOAA's National Weather Service (NWS), using data collected by the National Environmental Satellite and Data Information Service, provides weather forecasts and flood warnings. Its Office of Oceanic and Atmospheric Research provides science for policy decisions in areas such as climate change, air quality and ozone depletion.

- In 2001, NWS' ongoing modernization will increase the lead time of flash flood warnings to 57 minutes and the accuracy of flash flood warnings to 70 percent; increase the lead time of severe thunderstorm warnings to 21 minutes and the accuracy of severe thunderstorm warnings to 86 percent, and increase the accuracy of heavy snowfall forecasts to 65 percent. Since 1986, lead times for severe thunder-

storm and tornado warnings has improved significantly. For example, in 1986 the lead time for severe thunderstorm warnings was 12 minutes versus 21 minutes lead time in 2001.

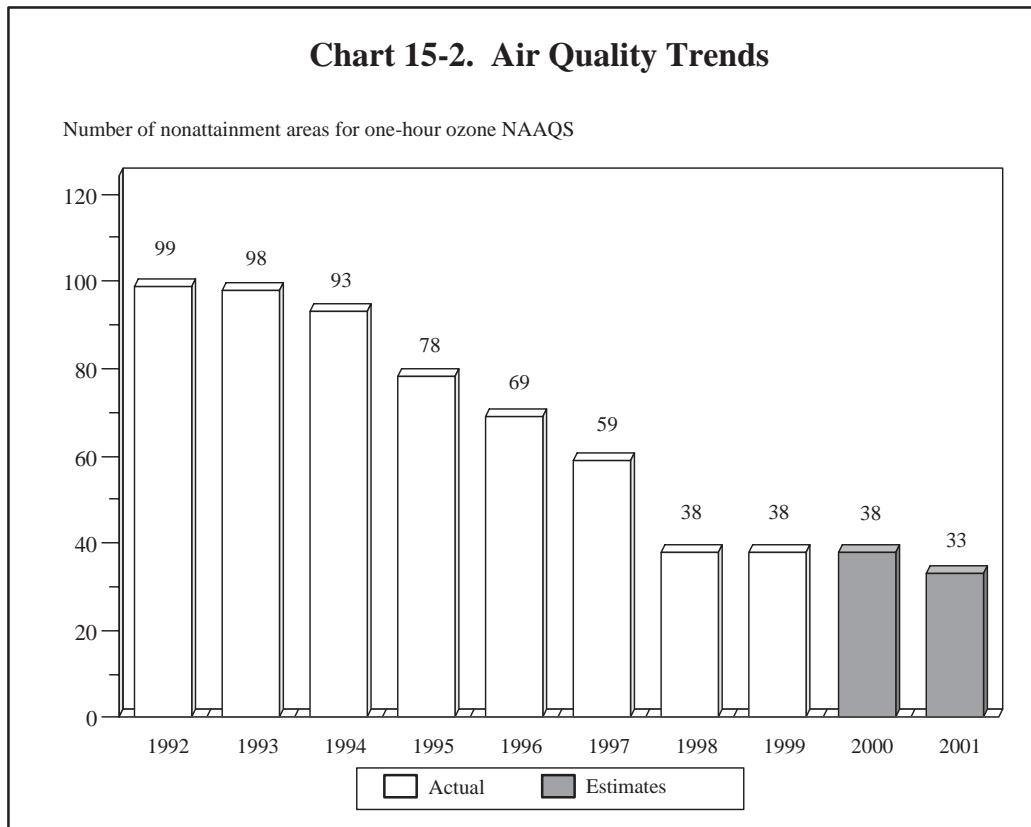
Pollution Control and Abatement

The Federal Government helps achieve the Nation's pollution control goals by: (1) taking direct action; (2) funding actions by State, local, and Tribal governments; and, (3) implementing an environmental regulatory system. The Environmental Protection Agency's (EPA) \$7.3 billion in discretionary funds and the Coast Guard's \$140 million Oil Spill Liability Trust Fund (which funds oil spill prevention and cleanup) finance the activities in this subfunction. EPA is an NPR High Impact Agency whose discretionary funds have three major components—the operating program, Superfund, and water infrastructure financing.

EPA's \$3.9 billion operating program provides the Federal funding to implement most Federal pollution control laws, including the Clean Air, Clean Water, Resource Conservation and Recovery, Safe Drinking Water, and Toxic Substances Control Acts. EPA protects human health and the environment by developing national pollution control standards, largely enforced by the States under EPA-delegated authority. For example, under the Clean Air Act, EPA works to make the air clean and healthy to breathe by setting standards for ambient air quality, toxic air pollutant emissions, new pollution sources, and mobile sources.

- In 2001, EPA will certify that five of the estimated 38 remaining nonattainment areas have achieved the one-hour National Ambient Air Quality Standard (NAAQS) for ozone (see Chart 15–2).
- In 2001, air toxic emissions nationwide from stationary and mobile sources combined will be reduced by five percent from 2000 (for a cumulative reduction of 35 percent from the 1993 level of 4.3 million tons).

Under the Clean Water Act, EPA works to conserve and enhance the ecological health of the Nation's waters, through regulation of point source discharges and through multi-



agency initiatives such as the Administration's Clean Water Action Plan.

- In 2001, water quality will improve on a watershed basis such that 550 of the Nation's 2,150 watersheds will have greater than 80 percent of assessed waters meeting all water quality standards, up from 500 watersheds in 1998.

Under the Federal Insecticide, Fungicide, and Rodenticide Act and the Federal Food, Drug, and Cosmetic Act, EPA regulates pesticide use, grants product registrations, and sets tolerances (standards for pesticide residue on food) to reduce risk and promote safer means of pest control. EPA also seeks to reduce environmental risks where Americans reside, work, and enjoy life, through pollution prevention and risk management strategies.

- In 2001, EPA will reassess an additional 1,200 of the 9,721 existing pesticide tolerances to ensure that they meet the statutory standard of "reasonable certainty of no harm" (for a cumulative 60 percent), including an additional 208 of the 848 tol-

erances having the greatest potential impact on dietary risks to children (for a cumulative 66 percent).

- In 2001, the quantity of Toxic Release Inventory pollutants released, disposed of, treated, or combusted for energy recovery (normalized for changes in industrial production) will be reduced by 200 million pounds, or two percent, from 2000 reporting levels.
- In 2001, EPA will initiate safety reviews on chemicals already in commerce by obtaining data on an additional 10 percent of the 2,800 high-production volume chemicals on the master testing list, as part of the implementation of a comprehensive strategy for screening, testing, classifying, and managing the risks posed by commercial chemicals.

Under the Resource Conservation and Recovery Act, EPA and authorized States prevent dangerous releases to the environment of hazardous, industrial nonhazardous, and municipal solid wastes by requiring proper facility

management and cleanup of environmental contamination at those sites.

- In 2001, 106 more hazardous waste management facilities will have approved controls in place to prevent dangerous releases to air, soil, and groundwater, for a total of 70 percent of 2900 facilities.

EPA's underground storage tank (UST) program seeks to prevent, detect, and correct leaks from USTs containing petroleum and hazardous substances. Regulations issued in 1988 required that substandard USTs (lacking spill, overfill and/or corrosion protection) be upgraded, replaced or closed by December 22, 1998.

- In 2001, 93 percent (an estimated 651,000) of active USTs will be in compliance with these requirements, which improves upon the 65 percent (approximately 553,800) of then-active USTs in compliance as of the December 22, 1998, deadline. Over the past decade, more than 1.4 million substandard USTs have been permanently closed.

In October 1997, the President announced immediate actions to begin addressing the problem of global climate change, and included the Climate Change Technology Initiative (CCTI) in the 1999 Budget. This budget provides \$227 million for the third year of EPA's portion of CCTI, much of which focuses on the deployment of underutilized but existing technologies that reduce greenhouse gas emissions. The partnerships EPA has built with business and other organizations since the early 1990s will continue to be the foundation for reducing greenhouse gas emissions in 2001 and beyond.

- In 2001, greenhouse gas emissions will be reduced from projected levels by approximately 66 million metric tons of carbon equivalent per year through EPA partnerships with businesses, schools, State and local governments, and other organizations. This reduction level will be an increase of eight million metric tons over 2000 reduction levels.
- In 2001, EPA will develop the infrastructure to implement the Clean Air Partnership Fund, which will demonstrate smart multi-pollutant approaches that reduce

greenhouse gases, air toxics, soot, and smog.

The \$1.45 billion Superfund program pays to clean up hazardous spills and abandoned hazardous waste sites, and to compel responsible parties to clean up. The Coast Guard implements a smaller but similar program to clean up oil spills. Superfund also supports EPA's Brownfields program, designed to assess, clean up, and re-use former industrial sites.

- In 2001, EPA will complete 75 Superfund cleanups, continuing on a path to reach 900 completed cleanups by the end of 2002; it completed 85 cleanups in 1999.
- In 2001, EPA Brownfields funding will result in 200 site assessments (for a cumulative total of 2,100), 500 jobs generated (for a cumulative total of 5,400), and the leveraging of \$100 million in cleanup and redevelopment funds (for a cumulative total of \$1.8 billion).
- In 2001, the Coast Guard will reduce the rate of oil spilled into the Nation's waters to 4.62 gallons per million gallons shipped from a statistical baseline of 5.25 gallons in 1998.

EPA water infrastructure funds provide capitalization grants to State revolving funds, which make low-interest loans to help municipalities pay for wastewater and drinking water treatment systems required by Federal law. The \$1.625 billion in the 2001 Budget is consistent with the Administration's plans to capitalize these funds to the point where the Clean Water State Revolving Funds (CWSRF) and the Drinking Water State Revolving Funds (DWSRF) provide a total of \$2.5 billion in average annual assistance. The \$74 billion in Federal assistance since passage of the 1972 Clean Water Act has dramatically increased the portion of Americans enjoying better quality water; nearly 181 million people now receive the benefits of secondary treatment of wastewater. Ensuring that community water systems meet health-based drinking water standards is supported by both the DWSRF and operating program resources.

- In 2001, 500 CWSRF projects will initiate operations, including 300 projects pro-

viding secondary treatment, advanced treatment, CSO correction (treatment), and/or storm water treatment. A cumulative total of 6,200 projects will have initiated operations since inception of the program.

- In 2001, 91 percent of the population served by community water systems will receive drinking water meeting all health-based standards in effect as of 1994, up from 83 percent in 1994.

USDA gives financial assistance to rural communities to provide safe drinking water and adequate wastewater treatment facilities to rural communities. The budget proposes \$1.6 billion in combined grant, loan, and loan guarantees for this assistance, a 24-percent increase over the 2000 program level. Part of those funds will go toward the Water 2000 initiative to bring indoor plumbing and safe drinking water to under-served rural communities. Since 1994, USDA has invested almost \$2.1 billion in loans and grants on high-priority Water 2000 projects Nation-wide. The Administration proposes continuing the Water 2000 initiative into 2001, based on its successful five year record of targeting funds to underserved communities, leveraging resources from other public and private sources, and maintaining the strong loan repayment record of the Water and Waste Disposal program.

- In 2001, USDA will fund 350 high-priority water 2000 projects.

The Office of Surface Mining (OSM), in partnership with States, reclaims abandoned coal mines and restores the lands to productive use for communities using funds from the Abandoned Mine Lands Reclamation Fund.

- In 2001, OSM will reclaim 9,100 acres of abandoned coal mine lands, 1,000 acres more than in 2000.

Water Resources

The Federal Government builds and manages water projects for navigation, flood-damage reduction, environmental purposes, irrigation, and hydropower generation. The Army Corps of Engineers operates Nation-wide, while Interior's Bureau of Reclamation operates in the 17 western States. The budget

proposes \$4.9 billion for the agencies in 2001—\$4.1 billion for the Corps, \$0.8 billion for the Bureau. The budget includes a proposal to create a new Harbor Services Fund to increase funding for the Corps' operations, maintenance, and construction activities at our Nation's ports and harbors and help ensure a safe and economically competitive port system. The budget also includes \$135 million for Everglades infrastructure projects and \$20 million for Challenge 21, an initiative to restore riverine ecosystems while providing flood hazard mitigation for communities. While navigation and flood damage reduction remain major missions of the Corps, its responsibilities increasingly have expanded to include the restoration of aquatic and wetland ecosystems.

In 2001, the Corps will:

- Maintain controlled commercial navigation and flood damage-reduction facilities in a fully operational state at least 95 percent of the time.
- Achieve "no net loss" of wetlands by creating, enhancing, and restoring wetlands functions and values that are comparable to those lost when the Corps issues permits to allow wetlands to be developed.

The Bureau of Reclamation manages, develops, and protects water and related resources in an environmentally and economically sound manner in the interest of the American public.

Over the past few years, the Bureau has continued to supply water and power efficiently throughout the West. In 1999, the Bureau delivered or released 30.7 million acre-feet of water to Reclamation-owned and operated facilities, 3.7 million over the minimum contracted amounts due. It also generated power needed to meet contractual commitments and other requirements 100 percent of the time.

- In 2001, the Bureau will deliver or release the amount of water contracted for from Reclamation-owned and operated facilities, expected to be no less than 28 million acre-feet, and generate power needed to meet contractual commitments and other requirements 100 percent of the time, depending upon water availability.

Tax Incentives

The tax code offers incentives for natural resource industries, especially timber and mining. The timber industry can deduct certain costs for growing timber, pay lower capital gains rates on profits, take a credit for investments, and quickly write-off reforestation costs—in total, costing about \$610 million in 2001. The mining industry benefits from percentage depletion provisions (which

sometimes allows deductions that exceed the economic value of resource depletion) and can deduct certain exploration and development costs—together, costing about \$265 million in 2001.

In 2001, Better America Bonds will provide tax incentives for State and local governments to protect local green spaces, improve water quality, and clean up abandoned industrial sites.

16. AGRICULTURE

Table 16-1. Federal Resources in Support of Agriculture

(In millions of dollars)

Function 350	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	4,503	4,462	4,586	4,583	4,544	4,652	4,749
Mandatory Outlays:							
Existing law	18,447	26,100	14,259	9,824	9,725	7,598	6,635
Proposed legislation		710	3,384	3,290			
Credit Activity:							
Direct loan disbursements	10,038	12,165	10,630	N/A	N/A	N/A	N/A
Guaranteed loans	2,593	6,584	6,631	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	885	915	960	995	1,050	1,100	1,140

N/A = Not available.

The Federal Government helps to increase U.S. agricultural income by boosting productivity, ensuring that markets function fairly, and providing a safety net for farmers and ranchers who often face unreasonable market forces, financial risk and natural disasters. Agriculture Department (USDA) programs disseminate economic and agronomic information, ensure the integrity of crops, inspect the safety of meat and poultry, and help farmers finance their operations and manage risks from both weather and variable export conditions. The results are found in the public welfare that Americans enjoy from an abundant, safe, and inexpensive food supply, free of severe commodity market dislocations. Agriculture, food, and its related activities account for 15 percent of the total U.S. personal consumption expenditure.

Conditions on the Farm

Economic conditions facing U.S. agriculture in 1999 again highlighted the need for a Federal role. Supplies of farm commodities continued to exceed demand, and some record high market prices of the mid-1990s fell to their lowest levels in years. While farmers and ranchers in many areas suffered crop production losses due to weather, disease,

and pests in 1998 and 1999, these crop losses did not offset production increases in other regions of the country. Gross cash receipts fell three percent to \$192 billion, still 11 percent above the average level for 1990-95. Net cash income rose \$4 billion above 1998 to nearly the 1993 record of \$59.3 billion, emergency with the Government payments. Forecasts for 2000 put net cash income (without a Government aid package) below the 1990-95 average of \$53.6 billion. Farmers are expected to earn slightly less from 2000 crop sales than last year due to lower feed grain prices. Livestock prices in 1999 began to recover from recent lows, and receipts are slightly above the record level of \$96.6 billion in 1997. Beef cattle and hog prices are expected to strengthen modestly in 2000, but remain low for many other commodities.

Macro-economic agricultural conditions in 1998-99 were nearly the reverse of conditions that led to record farm income and prices earlier in the decade. Growth in crop yields and a fourth year of generally fine weather led to robust world-wide production of major grains, which flattened export demand for U.S. crops. These conditions prompted the Federal Government to expand spending on

agriculture for a second year, including \$9.1 billion in emergency disaster relief enacted in the 2000 Agriculture Appropriations Act and the 2000 Consolidated Appropriations Act. Overall, Federal Government farm payments reached a record \$22.7 billion in 1999 (from \$12.2 billion in 1998).

Despite generally low commodity prices, farm assets and equity continue to rise. Farm sector assets increased slightly in value in 1999, to \$1.04 trillion. Farm asset values are forecast to remain at historic high levels in 2000, as farm real estate values increase for the twelfth straight year. In 1999, farmers' debt burden was only about 40 percent of their repayment capacity, comparable to the 1997 level of record economic performance. Farmer loan delinquencies are at a low and flat level. However, a continuation of low commodity prices may cause increasing financial stress for many producers.

Exports remain key to future U.S. farm income. The Nation exports 35 percent of its farm production, and agriculture produces the greatest balance of payments surplus, for its share of national income, of any economic sector. Agricultural exports reached a record \$60 billion in 1996. By 1999, with export volume flat, lower world market prices reduced exports to \$49 billion in value terms. In 2000, export growth is likely to be minimal. Pacific Asia, including Japan, is the most important region for U.S. farm exports, accounting for 36 percent of total U.S. export sales in 1999.

The 1996 Farm Bill

The 1996 Farm Bill, effective through 2002, fundamentally redesigned Federal income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and cotton. It expanded the market-oriented policies of the previous two major farm bills, which had gradually reduced the Federal influence in the agricultural sector, at the same time, however, it frayed significantly the existing farm net.

Under previous laws dating to the 1930s, farmers who reduced plantings could get income support payments when prices were low, but farmers had to plant specific crops in order to receive such payments. Even

when market signals encouraged the planting of a different crop, farmers had limited flexibility to do so. By contrast, the 1996 Farm Bill eliminated most such restrictions and, instead, provided fixed, but declining payments to eligible farmers through 2002, regardless of market prices or production volume. This law decoupled Federal income support from planting decisions and market prices. The law brought changes in the crop acreage planted in response to market signals. In 1997, wheat acreage fell by six percent, or about five million acres, from the previous year, while soybean acreage rose by 10 percent, or over six million acres.

The Farm Bill's freedom from planting restrictions meant greater potential volatility in crop prices and farm income. Not only can USDA no longer require farmers to grow less when supplies are great, but the size of farm income-support payments no longer varies as crop prices fluctuate. The previous farm bills were not perfectly counter-cyclical: participants in USDA commodity programs whose crops were totally ruined when prices were high got no income-support payment then, but would now through fixed payments. The 1996 Farm Bill also provides additional marketing loan payments to farmers when commodity prices fall below a statutorily set loan rate. These reached the historic high level of nearly \$7 billion in 1999, before being supplemented by the second straight year of emergency aid to producers. Nonetheless, the market conditions in 1998 and 1999 raised the issue of whether the Federal farm income safety net was sufficient, and how it should be improved. Specifically, many crop prices greatly decreased in 1997–1999 from previous years, but the farm bill's decoupled income assistance did not adjust upward to compensate. Because commodity prices remain low, the budget includes through the end of the Farm Bill an \$11 billion package to enhance the farm income safety net. It includes counter-cyclical income assistance when farm revenues are low, a freeze on USDA marketing assistance loan rates for the 2000 crop, and major increases in new and existing USDA conservation programs, among other things.

The 1999 crop experience also highlighted problems with the crop insurance program, which is intended to be the foundation of the farm safety net. Farmers who experience multi-year losses are left with insufficient coverage at higher cost; there is no coverage available for many commodities including livestock; and, most fundamentally, coverage that provides adequate compensation is simply not affordable for many farmers. The Administration's safety net package, therefore, includes funds to increase crop insurance subsidies.

Federal Programs

USDA seeks to enhance the quality of life for the American people by supporting production agriculture; ensuring a safe, affordable, nutritious, and accessible food supply; conserving agricultural, forest, and range lands; supporting sound development of rural communities; providing economic opportunities for farm and rural residents; expanding global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world. (Some of these missions fall within other budget functions and are described in other chapters in this Section.)

Farming and ranching are risky. Farmers and ranchers face not only the normal vagaries of supply and demand, but also uncontrollable risk from nature. Federal programs are designed to accomplish two key economic goals: (1) enhance the economic safety net for farmers and ranchers; and, (2) open, expand, and maintain global market opportunities for agricultural producers.

The Federal Government mitigates risk through a variety of programs:

Federal Farm Commodity Programs: Since most Federal income support payments under the 1996 Farm Bill are now fixed, farm income can fluctuate much more from year to year due to supply and demand changes. Farmers must rely more on marketing alternatives, and develop strategies for managing financial risk and stabilizing farm income. However, in response to unprecedented crop/livestock price decreases and regional production problems, Congress included as part of the \$9.1 billion in emergency disaster relief in 2000 a doubling of the 1996 Farm Bill's

fixed \$5 billion in income-support payments. In addition, the Federal Government continues to provide other safety-net protections, such as the marketing assistance loans that guarantee a minimum price for major commodities, which paid producers \$7 billion in 1999 and will pay them a similar amount in 2000.

Insurance: USDA helps farmers manage their risks by providing subsidized crop insurance, delivered through the private sector, which shares the insurance risk with the Federal Government. Farmers pay no premiums for coverage against catastrophic production losses, and the Government subsidizes their premiums for higher levels of coverage. Over the past three years, an average 65 percent of eligible acres have been insured, the highest in the program's 60-year history. USDA now targets an average indemnity payout of \$1.08 for every \$1 in premium, down from the historical average indemnity of \$1.40 for every \$1 in premium. Crop insurance costs the Federal Government about \$1.5 billion a year, including USDA payments to private companies for delivery of Federal crop insurance.

Early in 2000, as part of the \$9.1 billion in emergency disaster relief the President signed into law, nearly \$1.4 billion in crop loss payments was paid to producers to compensate for natural disasters in 1999. Payments also were made to uninsured farmers, but with the requirement that those farmers purchase insurance in the 2000 and 2001 crop years. Moreover, \$400 million was provided in 2000, as it was in 1999, to help farmers pay insurance premiums. Consequently, crop insurance participation, and therefore subsidy costs, are expected to be above average in these years, due to eligible acres insured rising toward 70 percent and current policyholders taking advantage of reduced premiums to increase their coverage. Both increased participation and higher coverage have the effect of enhancing the farm safety net, and reducing the need for disaster assistance legislation. USDA also continues to develop crop insurance policies on new crops and expand several insurance products that mitigate revenue risk—price and production risk combined. These revenue insurance pilots have shown that farmers generally want these types of products, and USDA

will continue to expand their application and availability.

Trade: The trade surplus for U.S. agriculture declined by about 30 percent in 1999 to \$11.6 billion, after experiencing faster growth in recent decades than any other sector of the economy. This is largely the result of the drop in commodity prices rather than a loss of export volume. The Foreign Agriculture Service's efforts to negotiate, implement, and enforce trade agreements play a large role in creating a strong market for exports.

In 2001, USDA will:

- take action to overcome 650 new trade barriers, up from 400 in 1993; and,
- generate 4,500 trade leads for U.S. agricultural export sales, 10 percent greater than in 1993.

USDA is authorized to spend over \$1 billion in 2001 on export activities (not counting funds for overseas donations of farm commodities), including subsidies to U.S. firms facing unfairly-subsidized overseas competitors, and loan guarantees to foreign buyers of U.S. farm products. USDA also helps firms overcome technical requirements, trade laws, and customs and processes that often discourage the smaller, less experienced firms from taking advantage of export opportunities. USDA outreach and exporter assistance activities help U.S. companies address these problems and enter export markets for the first time.

USDA programs also help U.S. firms, especially smaller-sized ones, export more aggressively. Their high-value products now account for more than half of agricultural export value even as total U.S. farm exports have been declining recently. By participating in the Market Assistance Program (MAP) or USDA-organized trade shows, firms can more easily export different products to new locations on their own. Small and medium-sized firm recipients (those with annual sales of under \$1 million) now represent all of the MAP branded-promotion spending, up from 60 percent in 1993.

In 2001, USDA will:

- assist 2,000 U.S. firms to establish export activities and overseas marketing distribution channels, 750 more than in 1993; and,
- increase the number of new firms that the MAP supports in establishing marketing and distribution channels for a total of 625 participants, up from 525 in 1994.

Agricultural Research: In 2001, the Federal Government expects to spend \$2.2 billion for agricultural research, education, economics and statistics programs whose goals are to make U.S. agriculture more productive and competitive in the global economy.

The Agricultural Research Service (ARS) is USDA's in-house research agency. In 2001, ARS' \$950 million proposed funding level will increase emphasis in high-priority areas, such as improving human nutrition, food safety and food quality protection; combating emerging and exotic animal and plant diseases and invasive species; improving the understanding of agriculture's role and response to climate change issues; increasing available genetic resources and improving the ability to identify useful properties of organisms; and, using biotechnology to find new products and energy sources from existing and converted crops, as well as to fund needed facility construction.

During 1999, ARS developed new procedures to reduce crop losses due to post-harvest decay of stored commodities; initiated a cooperative project to sequence, map and analyze publicly available DNA clones for crop genomes; and, determined the role of various nutrients in providing maximum health benefits to the public, including children and the elderly.

The Cooperative State Research, Education and Extension Service (CSREES) provides grants, mainly through open competition or legislative formula. The largest recipients of these grants are land grant universities and State agricultural experiment stations. In 2001, CSREES' \$1.1 request billion (including \$120 million for mandatory programs) will increase funding for competitive grants for several programs, mainly through the National

Research Initiative—USDA's major source of competitive research grant funding—as well as integrated research, education and extension grants, and mandatory authority provided in 1998. CSREES also will provide increased support in areas such as pest management and control, sustainable agriculture, biotechnology, food quality protection, small farms programs and gleaning. It also will provide support to minority institutions of higher education, and a large increase has been requested for Native American programs.

USDA economics and statistics programs, which are funded at \$150 million, improve U.S. agricultural competitiveness by reporting and analyzing information. The Economic Research Service (ERS) provides economic and other social sciences information and analysis for decision-making on agriculture, food, natural resources and rural development policy. The National Agricultural Statistics Service (NASS) provides estimates of production, supply, price and other aspects of the farm economy, providing information that helps ensure efficient markets.

- In 2001, NASS will include over 95 percent of national agricultural production in its commodities reports, up from 92 percent in 1997.

Inspection and Market Regulation: The Federal Government spends a half-billion dollars a year to secure U.S. cropland from pests and diseases and make U.S. crops more marketable. The Animal and Plant Health Inspection Service (APHIS) inspects agricultural products that enter the country, searching for goods or commodities that could harbor potential infestations; monitors the disease status of agricultural plants and animals; controls and eradicates diseases and infestations; helps control damage to livestock and crops from animals; and uncovers cruel treatment of many domesticated animals. The Agricultural Marketing Service (AMS) and the Grain Inspection, Packers and Stockyards Administration (GIPSA) help market U.S. farm products, ensure fair trading practices, and promote a competitive, efficient market place.

In 2001, APHIS will provide increased funding to stop the importation of goods and commodities that could endanger U.S. agriculture; monitor the potential for infesta-

tions; use discretionary funding to respond to ongoing emergencies such as Medfly, citrus canker and scrapie; improve the inspection of plants and animals; and, take actions to respond to the threat of invasive plant and animal species. APHIS resources also will significantly increase animal welfare activities (for which a \$5 million increase is requested for 2001). The amounts requested will fund more inspectors to help ensure that licensed or regulated wholesalers, certain pet stores, zoos, circuses and other public displays and research facilities follow regulations for the humane treatment of animals. Examples of performance in 2001 are:

- APHIS expects to reduce the number of Medfly infestations in Chiapas, Mexico, that could threaten the U.S., from 239 in 1998 to 50; and,
- APHIS will increase the number of animal welfare inspections from 10,000 in 1998 to 17,000 in 2001.

AMS will increase funding a microbiological surveillance program on domestic fruits and vegetables through the President's Food Safety Initiative, and fund the recently authorized program to provide the public with daily information on livestock transactions.

- AMS will increase the number of markets covered by its market news program from 1,681 in 1998 to 1,831 in 2001.

Conservation: The Farm Bill was the most conservation-oriented farm bill in history, enabling USDA to provide incentives to farmers and ranchers to protect the natural resource base of U.S. agriculture. Farmers can now use crop rotations, which earlier price support programs had severely limited. Also, the bill created several new programs. The Environmental Quality Incentives Program (EQIP), provides cost-share and incentive payments to encourage farmers to adopt new and improved farming practices or technology, and reduce the environmental impact of livestock operations. Farmers may use different nutrient management or pest protection approaches, with USDA offering financial assistance to offset some of the risk. Another new Farm Bill program was the Farmland Protection Program (FPP), which provides cost-share funds for agricultural easements to State, local, and

tribal governments to preserve farmland and prevent its conversion to other uses.

The Administration's farm safety net proposal expands several conservation programs and their mandatory funding, increasing the financial and technical assistance available to farmers and ranchers who wish to implement costly but environmentally-sound land management practices or those who want to permanently protect their farmland from development. (see also, Chapter 4, "Protecting the Environment"). The safety net proposal removes the Wetlands Reserve Program's (WRP) cumulative 975,000 acre cap to allow enrollment of 250,000 acres per year, as outlined in the Clean Water Action Plan, and increases the Conservation Reserve Program's (CRP) enrollment cap by 3.6 million acres, to 40 million. Both of these programs remove land from agricultural use and restore natural habitats. The safety net proposal also provides \$65 million for the FPP, which remains part of the Administration's Lands Legacy initiative, and \$50 million for the Wildlife Habitat Incentives Program (WHIP), which helps landowners establish fish and wildlife habitat on their land. The EQIP's annual authorized funding level is also increased by \$125 million to \$350 million. Also included in the proposal is \$600 million for a new Conservation Security program, which will provide varying levels of payments to producers based on the conservation practices they implement.

In 2001 USDA will:

- increase the number of acres enrolled each year for riparian buffers and filter strips to 2.9 million, from an estimated 2.0 million acres in 2000;
- Develop resource management systems for 12.3 million acres of cropland and grazing land, and,
- protect approximately 130,000 productive farmland acres through the FPP from being permanently lost to development.

For more information on conservation, and USDA's investments in public land management, see Chapter 15, "Natural Resources and Environment." USDA programs also help to maintain vital rural communities, as de-

scribed in Chapter 19, "Community and Regional Development."

Agricultural Credit: USDA provides about \$700 million a year in direct loans and over \$3 billion in guaranteed loans to finance farm operating expenses and farmland purchases. Direct loans, which carry interest rates at or below those on Treasury securities, are targeted to beginning or socially disadvantaged farmers who cannot secure private credit.

In 2001, USDA will:

- increase the proportion of loans targeted to beginning and socially-disadvantaged farmers to 18 percent, from an estimated 16 percent in 2000 and nine percent in 1996 when USDA first began measuring this activity; and,
- reduce the delinquency rate on farm loans to 14 percent, from an estimated 16 percent in 2000 and over 24 percent in 1994.

The Farm Credit System and Farmer Mac—both Government-Sponsored Enterprises—enhance the supply of farm credit through ties to national and global credit markets. The Farm Credit System (which lends directly to farmers) has recovered strongly from its financial problems of the 1980s, in part through Federal help. Farmer Mac increases the liquidity of commercial banks and the Farm Credit System by purchasing agricultural loans for resale as bundled securities. In 1996, Congress gave the institution authority to pool loans as well as more years to attain required capital standards, which Farmer Mac has now achieved.

Personnel, Infrastructure, and the Regulatory Burden: USDA administers its many farm, conservation, and rural development programs through 2,500 county offices with over 17,000 staff. The increasing costs of maintaining the current delivery system and the investment in new information technology have prompted the Department to re-examine its staff-intensive field office-based infrastructure. In 2001, USDA will: (1) consolidate information technology staff of the Farm Service Agency, the Natural Resources Conservation Service, and Rural Development into one staff to service all three agencies under USDA's Chief Information Officer; (2) identify centers of investment to allocate limited technology invest-

ments and reduce the number of free-standing county offices; and, (3) continue to streamline its collection of information from farmers and better disseminate information across USDA agencies.

In 2001, USDA will utilize county-office pilot sites to test new management structures and program delivery options that improve customer service and collectively reduce operating costs. USDA will also merge all of the non-information technology administrative

support staffs for its field office agencies (Farm Services Agency, Natural Resources Conservation Service, Rural Development), consistent with the cost-benefit analysis done to support the investment in modern technology by providing more efficient and coordinated support services. Efficiency savings of \$21 million from sharing common administrative processes and staff were delayed past 2001 due to postponement of this initiative in 2000 by Congress.

17. COMMERCE AND HOUSING CREDIT

Table 17-1. Federal Resources in Support of Commerce and Housing Credit

(In millions of dollars)

Function 370	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	3,838	7,226	3,456	3,311	3,279	3,193	3,262
Mandatory Outlays:							
Existing law	-862	-1,613	-767	-1,010	-1,507	-1,299	-657
Proposed legislation			-96	-105	-118	-129	-143
Credit Activity:							
Direct loan disbursements	2,125	1,780	2,041	N/A	N/A	N/A	N/A
Guaranteed loans	306,630	263,988	273,937	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	227,870	235,565	247,145	255,305	264,400	274,725	284,435
Proposed legislation			330	533	531	631	790

N/A = Not available.

The Federal Government facilitates commerce and supports housing through many diverse activities. It provides direct loans and loan guarantees to ease access to mortgage and commercial credit; sponsors private enterprises that support the secondary market for home mortgages; regulates private credit intermediaries; protects investors when insured depository institutions fail; promotes exports and technology; collects our Nation's statistics; and, offers tax incentives.

Mortgage Credit

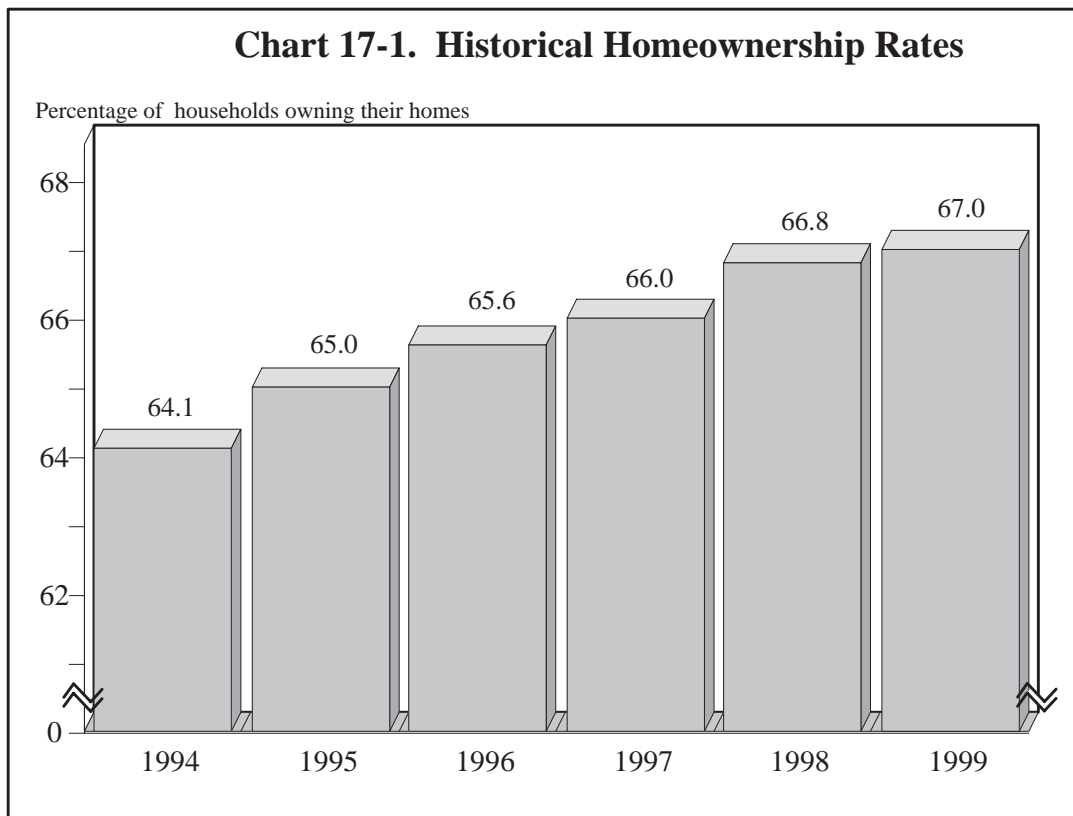
The Government provides loans and loan guarantees to increase homeownership, and to help low-income families afford suitable apartments. Housing credit programs of the Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Veterans Affairs (VA) supported \$177 billion in loan and loan guarantee commitments in 1999, helping nearly two million households (see Table 17-2). All of these programs have contributed to the success of the President's National Homeownership Initiative which, along with a strong economy, has helped boost the national homeownership rate

to 67 percent—its highest ever (see Chart 17-1). An additional 8.7 million families have become homeowners during this Administration.

- In 2001, the national homeownership rate will be 67.5 percent.

HUD's Mutual Mortgage Insurance (MMI) Fund: The MMI Fund, run by the Federal Housing Administration (FHA), helps increase access to single-family mortgage credit in both urban and rural areas. In 1999, the MMI Fund insured over \$113 billion in mortgages for over 1.2 million households. Over 80 percent of FHA home purchase mortgages went to first-time home buyers.

- The share of FHA mortgage insurance for first-time home buyers will increase by one percentage point in 2001.
- In 2001, the homeownership rate among households with incomes less than median family income will increase by 0.5 percentage point to 52.5 percent.



USDA's Rural Housing Service (RHS): RHS offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. The single family direct loan program provides subsidized loans to very low-income rural residents, while the single family guarantee loan program guarantees up to 90 percent of a private loan for moderate-income rural residents. Together, the two programs provided \$4 billion in loans and loan guarantees in 1999, providing 60,261 decent, safe affordable homes for rural Americans. The Administration proposes to provide higher loan levels at lower cost by increasing the single family housing guarantee program loan fee from 1 percent to 2 percent. This change, along with RHS' successful efforts in leveraging, will allow more lending per dollar.

- In 2001, RHS will further reduce the number of rural residents living in substandard housing by providing \$5 billion in loans and loan guarantees for 68,000 new or improved homes.

Veterans' Affairs (VA): VA recognizes the service that veterans and active duty personnel provide to the Nation by helping them buy and retain homes. The Government partially guarantees the loans from private lenders, providing \$43 billion in loan guarantees in 1999. One of VA's key goals is to improve loan servicing to avoid veteran foreclosures.

- In 2001, VA will be successful in intervening to help veterans avoid foreclosure 40 percent of the time, an increase from the 1998 level of 37 percent. (See Chapter 25, "Veterans Benefits and Services," for more information.)

Ginnie Mae: Congress created Ginnie Mae in 1968 to support the secondary market for FHA, VA, and RHS mortgages through securitization. To date, Ginnie Mae has helped 22.7 million low- and moderate-income families buy homes.

- In 2001, Ginnie Mae will continue to securitize 95 percent of FHA and VA loans, enhancing mortgage market effi-

**Table 17-2. Selected Federal Commerce and Housing Credit Programs:
Credit Programs Portfolio Characteristics**

(Dollar amounts in millions)

	Dollar volume of direct loans/ guarantees written in 1999	Numbers of hous- ing units/small business financed by loans/ guarantees written in 1999	Dollar volume of total outstanding loans/guarantees as of the end of 1999
Mortgage Credit:			
HUD/FHA Mutual Mortgage Insur- ance Fund	113,217	1,219,928	411,474
HUD/FHA General Insurance and Special Risk Insurance Fund	16,924	247,943	92,597
USDA/RHS single-family loans	3,969	60,261	25,373
USDA/RHS multifamily loans	141	10,087	11,925
VA guaranteed loans	43,091	396,399	195,868
Subtotal, Mortgage Credit	177,342	1,934,618	737,237
Business Credit:			
SBA Guaranteed Loans	13,906	45,629	41,132
SBA Direct Loans	40	34	48
Subtotal, SBA Loans	13,946	45,663	41,180
Total Assistance	191,288	1,980,281	778,417

ciency and lowering financing costs for home buyers.

Rental Housing

The Federal Government provides housing assistance through a number of HUD and USDA programs in the Income Security function. HUD's rental programs provided subsidies for over 4.7 million very-low-income households in 1999. In addition, USDA's RHS rental assistance grants to low-income rural households provided \$583 million to support 42,000 new and existing rental units in 1998. RHS's multifamily housing programs, which generally lends to private developers, finances both the construction and rehabilitation of rural rental housing for low- to moderate-income, elderly, and handicapped rural residents as well as farm laborers. The Budget provides \$365 million in direct loans, providing over 7,500 new units for very-low income tenants in rural America. For 2001, these agencies intend to meet the following performance goals:

- Increase the percentage of families with children assisted by HUD's tenant-based Section 8 voucher program that live in low-poverty census tracts from 61 percent in 1999 to 64 percent in 2001.
- The share of families that move from welfare to work while assisted by tenant-based Section 8, will increase from 32 percent in 1999 to 34 percent in 2001.
- Increase to 78 percent the ratio of affordable units actually available to extremely-low-income renters, from 76 percent in 1997.
- RHS will make new and continued rental assistance commitments to fund 43,800 rental assistance units.

Public Housing and Other Assisted Housing Programs

The Federal Government funds capital and management improvements of public housing authorities, as well as supportive services for public housing residents. These programs support the housing needs of particular popu-

lations, such as the elderly and disabled, in addition to low-income families.

- Public Housing Authorities demolished, 46,237 units of dilapidated public housing from 1993 through 1999 with an additional 14,800 scheduled for demolition in 2000. During 2001, 12,000 more units will be demolished, moving the Administration toward the goal of demolishing 100,000 of the worst public housing units by 2003.

Housing Tax Incentives

The Government provides significant support for housing through tax preferences. The two largest tax benefits are the mortgage interest deduction for owner-occupied homes (which will cost the Government \$61 billion in 2001 and \$331 billion over five years) and the deductibility of State and local property tax on owner-occupied homes (costing \$23 billion in 2001 and \$125 billion over five years).

Other tax provisions also encourage investment in housing: (1) capital gains of up to \$500,000 on home sales are exempt from taxes (costing \$101 billion from 2001 to 2005); (2) States and localities can issue tax-exempt mortgage revenue bonds, whose proceeds subsidize purchases by first-time, low- and moderate-income home buyers; and, (3) installment sales provisions let some real estate sellers defer taxes. Finally, the low-income housing tax credit (LIHTC) provides incentives for constructing or renovating rental housing that helps low-income tenants (costing approximately \$3.2 billion in 2001). The President proposes to raise the volume cap on the LIHTC and index the cap to inflation starting in 2002.

Commerce, Technology, and International Trade

Technology Policy: The Commerce Department advocates sound technology policies to promote technology development. Commerce's Patent and Trademark Office (PTO) protects U.S. intellectual property rights around the world through international treaties. In 1999, the patent and trademark system was strengthened with the passage of legislation to reform patent law and make the PTO into

a performance-based organization to better serve America's entrepreneurs and innovators.

- In 2001, PTO will issue over 185,000 patents, reduce the average processing time for inventions from the 1999 average of 10.9 months to an average of 10.0 months, and attain an 80 percent favorable customer satisfaction rating.
- In 2001, PTO will register 151,000 trademarks, reduce the average time required for processing trademark applications from the 1999 average of 15.5 months to an average of 13.8 months, and attain an 80 percent favorable customer satisfaction rating.

Commerce's National Institute of Standards and Technology (NIST): NIST works with industry to develop and apply technology, measurements, and standards to promote American competitiveness. NIST administers the Manufacturing Extension Partnership (MEP), which makes technological information and expertise available to smaller manufacturers.

- In 2001, NIST laboratories will produce over 2,200 technical publications and offer 1,315 standard reference materials.
- In 2001, MEP will serve more than 33,600 clients, increase their sales by \$678 million and generate \$607 million in additional capital investment.

Commerce's International Trade Administration (ITA): ITA strives to promote an improved trade posture for U.S. industry and develop the export potential of U.S. firms in a manner consistent with U.S. foreign and economic policy.

- In 2001, ITA will service over 159,000 small to medium sized businesses, an increase of over 3,000 from the level in 2000.

Commerce's Bureau of Export Administration (BXA): The BXA is a regulatory agency that enforces U.S. export controls.

- In 2001, BXA will issue 12,000 licenses for dual use commodities (military or civilian use), 1,600 more than in 1999.

Commerce's Census Bureau and Bureau of Economic Analysis (BEA): The Census Bureau collects, tabulates, and distributes a wide variety of statistical information about Americans and the economy, including the constitutionally-mandated decennial census. In addition, BEA prepares and interprets U.S. economic accounts, including the Gross Domestic Product (GDP).

- In 2001, the Census Bureau will complete the decennial census and deliver State apportionment totals to the President by December 31, 2000, and adjusted data for redistricting purposes and the distribution of nearly \$200 billion in Federal funds to States and localities by March 31, 2001.
- BEA and Census will develop new methods to measure the significant structural changes in the economy introduced by rapidly growing E-business activity.

Small Business Administration (SBA): SBA assists and promotes small business by expanding access to capital through guaranteed private sector loans — SBA guaranteed over \$11.5 billion in small business loans in 1999 — that carry longer terms and lower interest rates than those for which small businesses would otherwise qualify. SBA also provides technical assistance and venture capital.

- A key component of the Administration's economic development strategy is to increase access to capital and credit for women and minorities owned firms. The Administration's programs will increase the number of small business loans to women owned firms from 13,500 in 1995 to 18,500 in 2001 and the number of loans to minority owned firms from 10,000 in 1995 to 13,750 in 2001.
- Complementing loan programs are technical assistance programs, which increase the borrower's probability of success. To date, SBA has not experienced any defaults on the direct microloan program, suggesting that the technical assistance has had a positive impact. The Administration intends to increase the number of small businesses receiving counseling and training to 1.2 million, a four-percent increase over the estimated 2000 level and an increase of 300,000 since 1993.

Federal Trade Commission (FTC): The FTC enforces various consumer protection and antitrust laws that prohibit fraud, deception, anti-competitive mergers, and other unfair and anti-competitive business practices in the marketplace.

- In 2001, the FTC will save consumers \$250 million by stopping fraud and other unfair practices, and another \$500 million by stopping anti-competitive behavior.

Federal Communications Commission (FCC): The FCC works to encourage a fully competitive market place in communications and to promote and support every American's access to current and future communications services. Through introduction of more efficient licensing the FCC will ensure a more rapid introduction of new services and technologies. Through policy, economic analysis, and the rulemaking process, the FCC promotes competition in the public interest. The FCC ensures efficient spectrum management; enforces commission rules, regulations and authorities; and promotes consumer information and awareness of communications options and providers through the dissemination of Commission decisions and actions so that all Americans have access to communication services domestically and worldwide.

- In 2001, the FCC will achieve 85 percent of licensing and enforcement activities within established deadlines.

Commerce Tax Incentives

The tax law provides incentives to encourage business investment. It taxes capital gains at a lower rate than other income. This will cost the Government \$42 billion in 2001 and \$222 billion over five years. In addition, the law does not tax gains on inherited capital assets that accrue during the lifetime of the original owner. This will cost \$153 billion from 2001 to 2005. The law also provides more generous depreciation allowances for machinery, equipment, and buildings. Other tax provisions benefit small firms generally, including the graduated corporate income tax rates, preferential capital gains tax treatment for small corporation stock, and write-offs of certain investments. Credit unions, small insurance companies, and insurance companies owned by certain

tax-exempt organizations also enjoy tax preferences. Tax benefits for other kinds of businesses are described in other chapters in this section.

Financial Regulation

Federal Deposit Insurance: Federal deposit insurance protects depositors against losses when insured commercial banks, thrifts (savings institutions), and credit unions fail. From 1985 to 1995, this insurance protected depositors in over 1,400 failed banks and 1,100 failed thrifts, with total deposits of over \$700 billion. Five agencies regulate federally-insured depository institutions to ensure their safety and soundness: the Office of the Comptroller of the Currency regulates national banks; the Office of Thrift Supervision regulates thrifts; the Federal Reserve regulates State-chartered banks that are Federal Reserve members; the Federal Deposit Insurance Corporation (FDIC) regulates other State-chartered banks; and, the National Credit Union Administration (NCUA) regulates credit unions.

- In calendar year 2000, the FDIC will perform 2,788 safety and soundness examinations.

- The NCUA will reduce the percentage of federally insured credit unions with net capital of less than six percent of assets to three percent of operating credit unions.

Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC): SEC regulates U.S. capital markets and the securities industry and facilitates capital formation. The CFTC regulates U.S. futures and options markets. Both regulators protect investors by preventing fraud and abuse in U.S. capital markets and ensuring adequate disclosure of information.

- The SEC will examine every investment company complex and every investment advisor at least once during each five-year examination cycle.
- The CFTC will review every designation application and rule change request, except for stock index futures (which require SEC approval) within 10 to 45 days and respond to trading exchanges (e.g., Chicago Board of Trade) with an approval or deficiency letter.

18. TRANSPORTATION

Table 18-1. Federal Resources in Support of Transportation
(In millions of dollars)

Function 400	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	13,673	13,286	14,525	14,464	14,952	15,581	16,344
Mandatory Outlays:							
Existing law	1,945	2,362	2,061	1,630	1,954	1,885	1,858
Proposed legislation			13	13	14	15	15
Credit Activity:							
Direct loan disbursements	159	1,002	868	N/A	N/A	N/A	N/A
Guaranteed loans	1,767	2,825	927	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,870	1,970	2,080	2,200	2,330	2,460	2,605

N/A = Not available.

A transportation system is an indispensable component of every economy and society. It can increase the value of goods by moving them to locations where they are worth more. The system allows people to commute to places of employment where their time has higher value. By extending the spatial boundaries of commodity and labor markets, transportation encourages competition and production. Our transportation system is vital to America's standard of living. An intermodal transportation system that serves best, must offer accessibility, efficiency, reliability, safety, security, and be environmentally friendly. In 2001, the Federal Government will invest over \$54 billion on transportation. This compares with \$35 billion spent on transportation in 1993. In the past eight years, Federal transportation spending has increased by 30 percent in constant dollars. This increase has been necessary to keep the Nation's infrastructure in good condition, thereby facilitating the movement of goods and people, and to ensure that the Air Traffic Control System is able to keep pace with the increasing demands of growing air traffic.

Safe Operations

Improving transportation safety is the number one Federal Government transportation objective. The Federal Government works with State and local governments and private groups to minimize the safety risks inherent in transportation. It regulates motor vehicle design and operation, inspects commercial vehicles, educates the public regarding safety, directs air and waterway traffic, rescues mariners in danger, monitors railroad safety and conducts safety research.

A range of Federal programs and activities help reduce the number of deaths and injured persons from highway crashes, which number about 42,000 and over three million a year, respectively. Federal programs reach out to State and local partners, industry and health care professionals to identify the causes of crashes and develop new strategies to reduce deaths, injuries, and the resulting medical costs. These partnerships yield results—in 1998 the Nation's safety belt use reached an all-time high of 70 percent. Alcohol related highway fatalities reached a new low in 1998, at 38 percent of all highway deaths. Along with coordinating such national traffic safety efforts, the National Highway Traffic

Safety Administration (NHTSA) regulates the design of motor vehicles, investigates reported safety defects, and distributes traffic safety grants to States. The budget proposes \$499 million for NHTSA, a 33-percent increase over 2000. This Administration supports programs designed to reduce drunk and drugged driving, along with new initiatives that focus on reducing injuries and fatalities among minority, youth and rural populations. Research efforts include developing advanced technologies to reduce the likelihood of vehicle rollovers. Additionally, a new program will target unsafe driving practices in an effort to reduce the incidences of aggressive driving.

In partnership with the highway community, the Federal Highway Administration (FHWA) works to identify top roadway safety issues and countermeasures. In 2001, efforts will focus on run-off-road and pedestrian/bicycle crashes, since these safety problems contributed 36 percent and 15 percent respectively of total highway fatalities in calendar year 1997. In 2001, safety construction programs will contribute \$760 million to correct unsafe roadway design and remove roadway hazards.

Federal funding for the new Federal Motor Carriers Safety Administration (FMCSA) is proposed at \$279 million in 2001, an increase of 54 percent over 2000. The Administration's goal is to reduce motor carrier fatalities by 50 percent in 10 years. The FMCSA will increase motor carrier enforcement, improve data, and expand roadside inspections. In addition, States will be provided dedicated funding to heighten enforcement of commercial drivers (e.g., truck and bus drivers) licenses in an effort to keep improperly registered vehicles and drivers off our Nation's highways. FMCSA develops uniform standards that improve motor vehicle and driver safety, helps coordinate law enforcement activities, and aligns interstate trucking safety requirements. Grants to States to enforce Federal and compatible State standards for commercial motor vehicle safety inspections, traffic enforcement, and compliance reviews are proposed to increase 78 percent over 2000 to \$187 million in 2001.

All of these programs will help reach the Administration's safety goals, including reducing the rate of highway-related fatalities

per 100 million vehicle miles traveled (VMT). In 1998, the highway related fatalities and injured persons reached all time record lows. The fatalities per 100 million vehicle miles traveled were 1.6. The injured persons per 100 million miles traveled were 122. The 2001 target rates are 1.5 for fatalities and 113 for injured persons.

Perhaps the Federal Government's most visible transportation safety function involves air traffic control and air navigational systems. The Federal Aviation Administration (FAA) handles about two flights a second, moving 1.5 million passengers safely each day. In 2001, the FAA will perform nearly 320,000 safety related inspections. To meet safety needs, the Administration plans to spend \$9.1 billion, 14.4 percent over the 2000 level, on FAA operations and capital modernization. The FAA will seek to:

- Reduce the fatal aviation accident rate for commercial air carriers from a 1994–1996 baseline of 0.037 fatal accidents per 100,000 flight hours. In 1998, the fatal aviation accident rate for commercial air carriers was .006 per 100,000 flight hours. This rate puts the Department on target to reaching the White House Commission on Aviation Safety and Security goal of reducing fatal accidents by 80 percent by 2007 and ahead on achieving the 2001 target of 0.031 per 100,000 flight hours.

The Federal Government also plays a key safety role on our waterways, where the Coast Guard saves one life every two hours, 24 hours a day, 365 days a year. The Coast Guard operates radio distress systems, guides vessels through busy ports, operates reliable and safe navigation systems, regulates vessel design and operation, enforces U.S. and international safety standards, provides boating safety grants to States, and supports a 35,000-member voluntary auxiliary that provides safety education and assists regular Coast Guard units. The Coast Guard is recognized as the world leader in maritime search and rescue. The budget proposes \$3.7 billion for Coast Guard operations and capital, a 12-percent increase over the current level. The Coast Guard seeks to:

- Reduce the number of recreational boating fatalities from a 1998 baseline of 793 fatalities. In 1998, recreational boating fatalities were down from 821 in 1997. The 2001 target is at or below 720 fatalities.

The Federal railroad safety program is also expanding. The Administration's budget proposes \$117 million in 2001, five percent over the 2000 level. The program works in partnership with the rail industry. The Safety Assurance and Compliance program brings together rail labor, management and the Federal Government to determine root causes of safety problems. This partnership has produced results: from 1994 to 1998, the railroad-related fatality rate, on-the-job casualty rate, and train crash rate fell by twenty-one, thirty-five, and one percent, respectively. The Federal Railroad Administration has made steady progress towards its multi-year safety goals. For example, its plans are to:

- Reduce the rate of rail-related crashes from a 1998 baseline of 3.77 per million train-miles to 3.29 or less in 2001; and to reduce the rate of rail-related fatalities from a 1998 baseline of 1.48 per million train miles to 1.23 or less in 2001. The 1998 level of fatalities (the 1.48 rate) was the lowest level in a decade.
- Reduce the grade crossing accident rate in 2001 to 1.39 per the product of million train-miles times trillion highway vehicle-miles-traveled. The 1998 accident rate was 1.98, a significant decline from the 1997 rate of 2.27.

Similarly, the Federal pipeline safety program has implemented several risk management projects to improve the targeting and effectiveness of regulations while reducing or minimizing their costs. The Federal Government also develops regulations and standards for hazardous materials shipping, and enforces those standards for every mode of transportation. The Administration seeks to:

- Reduce the number of serious hazardous materials incidents in transportation to 401 or fewer in 2001, from a peak of 428 in 1998. The 1998 record is not as positive as those of most of the other modes of transportation—there were 10 more inci-

dents in 1998 than there were in 1997. The Administration is giving this area special attention.

Infrastructure and Efficiency Investment

In 1996, the U.S. transportation system served 265 million people and six million businesses and supported 4.4 trillion passenger-miles and 3.7 trillion cargo ton-miles. The Federal Government helped develop large parts of the system, with funding supported by user fees and transportation taxes. Investment is targeted to maintaining and improving the condition of the existing system while at the same time advancing safety, quality, efficiency, and the intermodal character of transportation infrastructure. This investment ensures the Nation will meet commerce needs, and enhance its efficiency, which leads to advanced economic growth as well as international competitiveness.

Innovative Financing: Since 1994, the Administration has introduced a number of financing innovations designed to streamline procedures, improve existing programs, and implement new ideas for improving the Nation's transportation infrastructure. In total, these initiatives are helping advance nearly 200 projects, representing a total capital investment of more than \$20 billion. For example, there is the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, authorized by TEA-21. TIFIA provides Federal credit assistance to major transportation investments of critical national importance, such as: intermodal facilities; border crossing infrastructure; highway trade corridors; and transit and passenger rail facilities with regional and national benefits. In 2000, \$90 million of TIFIA funding supported \$1.8 billion in credit assistance. In 2001, a funding level of \$96 million will be provided to continue this program

Highways and Bridges: About 957,098 miles of roads and all bridges are eligible for Federal support, including the National Highway System (NHS) and Federal lands roads. In 2001, the Federal Government plans to spend \$30 billion to maintain and expand these roads with funding from motor fuels taxes, mainly the gasoline tax. This is close to \$2 billion more than was provided in 2000, and is \$12 billion more than was provided in

1993. The Federal gas tax is 18.4 cents per gallon, of which 15.4 cents goes to the Highway Trust Fund's highway account to finance grants to States and local governments for highway-related repair and improvement.

In aggregate, State and local governments provide 56 percent of highway and bridge infrastructure spending, most of which they generate through their own fuel and vehicle taxes. The average State gasoline tax was 19.8 cents per gallon in 1998. State and local governments accelerate their infrastructure projects through debt financing, such as bonds and revolving loan funds. The Federal Highway Administration will work with State and local governments to:

- Increase the percentage of miles on the NHS that meet pavement performance standards for acceptable ride quality—from 90.4 percent in 1996 to 91.9 percent in 2001. In 1998, the percentage was 91.8 percent.
- Reduce delays on Federal-aid highways from 9.0 hours of delay per 1,000 vehicle miles traveled in 1998 to 8.9 in 2001.
- Reduce the percentage of bridges on the NHS that are deficient—from 23.1 percent in 1998 to 22.3 percent in 2001. Between 1993–1998, bridges on the NHS that are deficient decreased by 3.6 percent, from 26.7 percent to 23.1 percent.

Transit: As with highways, the Federal Government assists State and local governments to improve mass transit. Of the Federal motor fuels tax, 2.86 cents a gallon goes to the Highway Trust Fund's Mass Transit Account, which funds transit grants to States and urban and rural areas. Federal capital grants comprise about half of the total spent each year to maintain and expand the Nation's 6,000 bus, rail, trolley, van, and ferry systems. Together, States and localities invest over \$3 billion a year on transit infrastructure and equipment.

Federal funding growth has been substantial. In 2001, the Federal Government plans to spend \$6.1 billion on transit infrastructure. This compares with \$5.8 billion in 2000 and \$2.6 billion in 1993. The Federal role

is especially important in financing new urban bus and rail transit systems, as well as rural bus and van networks. Millions of Americans use transit for their daily commute, easing roadway congestion and reducing air pollution. Many riders depend on public transportation due to age, disability, or income. Transit can also provide economic opportunity. For example, the Job Access and Reverse Commute program will help to provide transportation services in urban, suburban and rural areas to assist welfare recipients and low income individuals reach employment opportunities. The Federal Transit Administration seeks to:

- Increase transit ridership from 39 billion passenger miles traveled in 1996 to 42.86 billion in 2001. In 1998, transit ridership was 41.6 billion passenger miles traveled.

Passenger Rail: The Federal Government will invest \$521 million in 2001 to support Amtrak's capital improvements and equipment maintenance. The combination of Federal and private sector investment in the Northeast Corridor is expected to soon show results, with the beginning of high-speed rail service between Boston and New York which is estimated to reduce trip times by 35 percent.

The Administration proposes to invest \$468 million in capital in 2001 to enhance intercity passenger rail service. This new program will provide matching grants to enhance or expand inter-city rail service nationwide. This initiative will contribute to the goals of improving the overall financial health of Amtrak, thus ensuring the long-term stability, and expanding intercity rail passenger service. These investments will be targeted to projects which make good financial sense for Amtrak and also generate substantial benefits for the general public. Rail service can play an important role in improving mobility and offers an environmentally sound alternative to simply adding highway capacity in congested corridors. Enhancing rail service by improving average speed can provide the foundation for the introduction of high speed rail service.

The Federal Railroad Administration seeks to:

- Increase Amtrak's intercity ridership from 21.1 million passengers per year in 1998 to the 2001 target (based on the introduction of high-speed rail service) of 25.3 million. In 1999, AMTRAK ridership was 21.5 million passengers. Improving ridership is important to AMTRAK's efforts to achieve self-sufficiency.

Aviation and Airports: The Federal Government seeks to ensure that the aviation system is safe, reliable, accessible, integrated, and flexible. In 2001, the Administration will continue aggressive modernization of FAA air traffic control equipment, including both development of new technologies and improvements to existing systems to decrease air traffic delays. The Free Flight Phase I program is implementing air traffic automation aids that allow controllers to use runway capacity at busy airports more efficiently. In addition, FAA is developing controller pilot data link and Global Positioning System (GPS) technologies to improve efficiency in handling aircraft. Ongoing replacement of airport surveillance and beacon radar systems will improve the reliability of equipment used for air traffic control. Finally, about 3,300 airports throughout the country are eligible recipients of Airport Improvement Program funding. This program helps enhance airport capacity, safety, security, and noise mitigation. These funds augment other airport funding sources, such as bond proceeds, State and local grants, and passenger facility charges which airports are permitted to impose on their passengers. With 98 percent of the population living within 20 miles of an airport which supports commercial carriers, most citizens have excellent access to air transportation.

To ensure the effective and efficient use of its resources, the FAA is continuing implementation of acquisition, financial and personnel reforms. Procurement reform has enabled the FAA to pre-screen contractors ensuring that firms have the capabilities and experience to deliver technology systems that improve air traffic control. Personnel reform will result in a new pay-for-performance system that focuses employees on key agency goals. In addition, the FAA will use its

existing legislative authorities to create a performance-based organization for air traffic control services to be funded through direct user fees. These combined efforts will allow the FAA to operate more like a business, modernize more quickly, and be more responsive to customers. The Administration seeks to:

- Reduce the rate of air travel delays from the 1998 baseline of 190 delays per 100,000 activities to 171 in 2001. To accomplish this goal, the requested 2001 budget for FAA operations will increase by 12 percent or \$699 million, and the FAA budget for capital modernization for capital acquisition, to upgrade air traffic control, will increase by 22 percent, or \$450 million, compared with the 2000 level.

Maritime Transportation: For our Nation's commercial shipping infrastructure, Federal loan guarantees issued by the Maritime Administration make it easier to build and renovate vessels in U.S. shipyards, while the Coast Guard establishes and operates radio and visual aids-to-navigation infrastructure that enables the safe movement of shipping. Port development is left largely to State and local authorities, which have invested over \$16 billion in infrastructure improvements over the past 50 years. The Maritime Administration and the Coast Guard are co-leading a new effort to develop more comprehensive coordination, leadership, and cooperation among Federal, State, and local agencies and private sector owners and operators of the Marine Transportation System (MTS). The MTS is faced with growing levels of demand, shifting and competing user requirements, and safety and information system improvements. The Administration seeks to:

- Attain a stable commercial shipbuilding order book in U.S. shipyards of 530,000 gross tons by 2001. Between 1997 and 1998, U.S. commercial shipbuilding order book fell from 506,000 gross tonnage to 407,312. The Maritime Administration is focused on reversing this trend. In 1999, Title XI loan guarantees were awarded for the construction of two large cruise passenger vessels, the first to be built in the United States in 50 years.

- Reduce the percentage of U.S. ports reporting landside impediments to the flow of commerce from 41 percent in 1998 to 37 percent in 2001.

Research and Development

The Federal Government has a role in developing transportation technology. Federal research helps build stronger roads and bridges, design safer cars, reduce human error in operations, and improve the efficiency of existing infrastructure.

The Department of Transportation's (DOT's) Intelligent Transportation Systems (ITS) program is developing and deploying technologies to help States and localities improve traffic flow and safety on streets and highways. ITS provides cost-effective ways to improve the management of our infrastructure, boosting efficiency and capacity. The private sector, which works closely with the ITS program, will deploy many of the technologies developed jointly with Federal funding.

The FAA's research, engineering, and development programs help improve safety, security, capacity, and efficiency in the National Airspace System. For example, the development of improved weather forecasting and modeling tools will help reduce delays and prevent accidents and injuries caused by aircraft icing and turbulence. In 2001, the budget includes work on the impact of fatigue on performance and determining the causes of human error that lead to accidents. Work will continue on aircraft safety and fire protection methods that explore new methods for reducing the risk of aircraft fires and developing new inspection techniques to detect flaws in aging aircraft. Security and explosive detection systems research will develop machines that process baggage more rapidly and provide new technology for passenger and cargo screening. Research will continue on reducing aircraft noise and emissions.

The National Aeronautics and Space Administration's (NASA's) Aero-Space Technology Enterprise funds partnerships with the FAA, the Department of Defense (DOD), aircraft manufacturers, and airlines to address aviation safety, air traffic, and environmental

impact issues that are key to the continued growth of the U.S. aviation system.

Using technology, the Federal Government seeks to balance new physical capacity with the operational efficiency and safety of the Nation's existing transportation infrastructure. The Administration will seek to:

- Increase the number of metropolitan areas with integrated ITS infrastructure from 34 in 1997 to 56 in 2001. In 1998, there were 46 communities with these systems.

DOT, NASA, DOD, and private industry will work together on research to reduce the fatal aviation accident rate for commercial air carriers by a factor of five in 10 years (from a 1994–1996 baseline of 0.037 per 100,000 flight hours). Research will focus on preventing equipment malfunctions, reducing human error, and ensuring the separation between aircraft and potential hazards.

Regulation of Transportation

Federal rules greatly influence transportation. In the past two decades, economic deregulation of the railroad, airline, and interstate and intrastate trucking industries has reduced costs for consumers and shippers, while improving service.

The Federal Government also issues regulations that promote safer, cleaner transportation. The regulations—of cars, trucks, ships, trains, and airplanes—have substantially cut the number of transportation-related deaths and injuries, improved the safe handling of hazardous materials shipments, and helped reduce the number of oil spills.

Where regulations are used to meet our transportation safety, security, and environmental goals, the government aims for rulemakings that are cost-effective and make common sense. For example, in establishing security standards for passenger vessels and associated terminals, the Coast Guard listened to public comments and tailored the rulemaking to be consistent with international standards while giving operators the flexibility to customize their plans and choice of equipment.

Tax Expenditures

Employees do not pay income taxes on what their employers pay for parking and transit passes. These tax expenditures cost the Treasury about \$2 billion in 2001 and almost \$12 billion from 2001 to 2005. To

finance infrastructure, State and local governments issue tax-exempt bonds. The Federal costs in lost revenues are included in the calculations for Function 450, "Community and Regional Development," and Function 800, "General Government."

19. COMMUNITY AND REGIONAL DEVELOPMENT

Table 19-1. Federal Resources in Support of Community and Regional Development

(In millions of dollars)

Function 450	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	11,027	11,493	12,327	12,327	12,472	12,781	13,062
Mandatory Outlays:							
Existing law	-18	-523	-637	-774	-851	-942	-1,086
Proposed legislation			-54	44	125	151	157
Credit Activity:							
Direct loan disbursements	1,715	2,064	2,762	N/A	N/A	N/A	N/A
Guaranteed loans	1,606	2,439	2,946	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,260	1,415	1,505	1,370	1,150	1,125	1,100
Proposed legislation			66	487	1,000	1,341	1,648

N/A = Not available.

Federal support for community and regional development helps build the Nation's economy, and helps economically distressed urban and rural communities secure a larger share of America's prosperity. The Federal Government spends over \$11 billion a year, and offers about \$1.4 billion in tax incentives to help States and localities create jobs and economic opportunity, and build infrastructure to support commercial and industrial development.

Federal programs have stabilized and revitalized many of these communities allowing them to expand their economic base and support their citizens, particularly those in need. Communities hard hit by natural disasters receive Federal assistance to rebuild infrastructure, businesses, and homes. States and localities also use these Federal funds to leverage private resources for their community revitalization strategies.

Department of Housing and Urban Development (HUD)

HUD provides communities with funds to promote commercial and industrial develop-

ment, enhance infrastructure, and develop strategies for providing affordable housing close to jobs. HUD also provides grants and sponsors research to reduce the hazards created by lead-based paint in housing.

Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low- and moderate-income persons. CDBG funds go to improving housing, public works and services, promoting economic development, and acquiring or clearing land. Seventy percent of CDBG funds go to over 980 central cities and urban counties, and the remaining 30 percent go to States to award to smaller localities. The Section 107 set-aside within CDBG, the University Partnerships Program, provides grants to academic institutions including Historically Black Colleges and Universities, Hispanic Serving Institutions, New Magnets University Partnerships, and Tribal Colleges. The Indian CDBG, also a set-aside within the CDBG program, focuses mainly on public infrastructure, community facilities, and economic development on res-

ervations. The 2001 Budget establishes a new information hotline for Government-wide Native American programs funded out of the Indian CDBG program.

HUD's HOME Investment Partnership Program supports construction of new housing, rehabilitation of existing homes, acquisition of standard housing, assistance to home buyers, and tenant-based rental assistance.

The 2001 goals for the CDBG, HOME and Lead Hazard programs include:

- Increasing the number of CDBG grantees who incorporate milestones with timetables in Consolidated Plans that demonstrates progress in improving locally defined conditions in their neighborhoods and communities;
- Decreasing unemployment rates among young entry-level job seekers in central cities by 0.5 percent annually to 17.5 percent by 2001 through the creation of jobs through investment in entitlement communities and Youthbuild;
- Assisting 102,947 households, supporting construction of 22,258 new units of affordable housing, rehabilitating 44,924 units, and acquiring 24,884 units through HOME, helping to increase by eight percent the number of households receiving assistance through the HOME program;
- Increasing the homeownership rate of first time minority homeowners in inner city areas by .5 percent in 2001 through the HOME program and other HUD programs;
- Providing housing assistance to over 210,000 households through the CDBG program in 2001 and at least 241,000 by 2003; and,
- Assuring that at least 92 percent of entitlement community funding and at least 98 percent of funds for the State portion of CDBG are used for activities that benefit low to moderate income persons.

By 2010, HUD, in cooperation with other Federal agencies, will eliminate elevated lead blood levels and lead poisoning in children.

By the end of 2001, HUD will establish baseline measures that will help evaluate the contributions these programs make to

community development and affordable housing.

Empowerment Zones (EZs) provide tax incentives and grants to carry out 10-year, community-wide strategic plans to revitalize designated areas. In 1994, the Administration designated nine Round I EZs, two Supplemental EZs (which were designated full EZs in 1998) and 95 Enterprise Communities (ECs). These Round I EZs and related ECs leverage private investment, expand affordable housing and homeownership opportunities, and help create jobs. In January 1999, the Administration designated 15 new urban EZs and five new rural EZs (administered by the Department of Agriculture) from more than 268 distressed areas that applied for new designations. These EZs, along with the 20 new rural ECs have begun initial implementation of their comprehensive strategies to redevelop their areas.

In the budget, the Administration proposes a series of tax measures to extend and improve economic growth in the 31 existing Round I and Round II EZs and also proposes to create a Third Round of 10 new EZs. To encourage employment and growth, the Budget proposes to extend until 2009 the wage credit currently available only for Round I Zones through 2004, and to make the wage credit also available in Round II and Round III EZs through 2009. To lower the cost of investment for small businesses in EZs, the budget proposes to allow them to deduct an additional \$35,000 in investments above the normal small business investment deductions. The proposal also will allow local governments to issue tax-exempt bonds on behalf of EZ businesses. Finally, the President's proposal would permanently extend the Brownfields Tax Incentive in EZs.

The 2001 goals for the EZ and EC program include:

- Increase to 95 percent the share of urban EZs and ECs that show satisfactory progress toward locally defined benchmarks. Examples of benchmarks include: In Baltimore, MD, in the 2000–2001 period, reduce crime by an additional two percent and increase the homeownership rate in that EZ of 39.6 percent by 0.5 percent. In Chicago, IL, complete 100 of the

300 low-income housing units remaining to be constructed. In Los Angeles, CA, increase from 41 percent to 46 percent the number of youths obtaining jobs through the Youth Opportunities Program. In Detroit, MI, increase the number of permanent housing units constructed for the disabled by 10 from 20 units to 30.

Department of Commerce

The Economic Development Administration (EDA) provides assistance to communities to help build capacity and address long-term economic challenges through its nationwide program delivery network. EDA's public works grants help build or expand public facilities to stimulate industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. Between 1992 and 1999, EDA awarded 1,456 public works grants, totaling \$1.4 billion, to economically distressed communities for infrastructure projects. In 2001, there will be two new initiatives at EDA, an E-commerce program and a Community Economic Adjustment program. These programs will create equitable access to new technologies and the broadband networks necessary to support full access to E-commerce in all communities and help distressed communities recover from sudden and/or severe economic downturns.

EDA's revolving loan fund (RLF) program enhances communities' capacity to invest in locally identified commercial development that creates jobs. Since 1976, when the RLF program was implemented, EDA has provided initial capital for over 800 local RLFs.

These RLF funds have made more than 17,000 loans to private businesses and have leveraged more than \$1.5 billion in private capital that upon repayment has tended to stay in the community for re-lending and further economic development activity.

The 2001 goals for EDA include:

- Creating or retaining of a total of 56,789 jobs.

Department of the Treasury

The Community Development Financial Institutions (CDFI) Fund seeks to promote

economic revitalization and community development in distressed areas by increasing the availability of capital and leveraging private sector funds. The CDFI Fund provides financial and technical assistance to a diverse set of specialized, private, for-profit and non-profit financial institutions known as community development financial institutions. CDFIs have a primary mission of community development and include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds.

The 2001 goals for the CDFI Fund include:

- Increasing the number of States with at least one CDFI Fund awardee from 46 in 1999 to 49 in 2001; and
- Increasing the number of awards to CDFIs from 158 in 1999 to 160 in 2001.

Department of Agriculture (USDA)

USDA gives financial assistance to rural communities and businesses to boost employment and further diversify the rural economy. The Rural Community Advancement Program's grants, loans, and loan guarantees help build rural community facilities, such as health clinics and day care centers, and create or expand rural businesses. USDA also provides loans through the Intermediary Relending Program (IRP), which provides funds to an intermediary such as a State or local government agency that, in turn, provides funds for economic and community development projects in rural areas.

The 2001 goals for these USDA programs include:

- Retaining and creating 115,000 new jobs, compared to 82,000 in 1999, through the Business and Industry loans, IRP, and community facilities programs.

Department of the Interior (DOI)

The Interior Department's Bureau of Indian Affairs (BIA), for which the budget proposes \$2.2 billion in 2001, helps Tribes and Native American individuals develop resources to improve their communities and economies through various programs and technical assistance. BIA assists Tribes in such areas as agricultural and rangeland resource management to manage and generate revenues from

mineral, agricultural and forestry resources. The Department will strengthen its Tribal resource management programs by facilitating more prudent land management and maintaining approximately 150 Tribal management plans, projects, co-management programs and fishing access sites; supporting 18 major irrigation projects; managing lands for farming and grazing; and, funding 18 water rights negotiations teams. In addition, the budget will enable BIA to continue and to expand efforts to improve trust services activities, reduce crime, and expand community development activities. The budget includes \$630 million, a substantial increase (\$20 million) over 2000, to improve trust service activity within BIA—in support of the Administration's efforts to improve Tribal trust management. BIA and the Department of Justice seek to lower crime rates on the 56 million acres of Indian lands, through the expansion of its joint law enforcement initiative begun in 1998. BIA maintains over 7,000 buildings, including 185 schools and 3,000 housing units; over 100 high-hazard dams; and, (with the Departments of Transportation and State and local governments) about 50,000 miles of roads and 770 bridges.

The 2001 goals for DOI include:

- Generating nearly \$82 million in federally-guaranteed commercial loans on reservations. These loans, supported by a \$5.5 million appropriation, will foster growth and development in Indian Country;
- Obtaining about \$328 million in timber sales revenue by helping Tribes manage 16.2 million acres of forest land;
- Reducing crime rates on Indian lands by increasing the number of police officers per 1,000 citizens; and,
- Replacing the final three schools on BIA's existing replacement priority list and at least three schools from a new list. These schools are BIA's oldest, most dilapidated schools. In addition, BIA will complete major improvement and repair projects (including a joint demonstration project with the Department of Energy utilizing energy-efficient construction materials). As part of the Administration's commitment to renovating schools across the Nation,

the budget proposes \$300 million (\$167 million over 2000) to replace, repair, and improve educational facilities; up to \$30 million may be used by Tribes and tribal consortia to defease the principal on school construction bonds.

Tennessee Valley Authority (TVA)

TVA operates integrated navigation, flood control, water supply, and recreation programs. Along with TVA's electric power program, these programs contribute to the economic prosperity of the seven-State region it serves. TVA plans to pay for most of these programs in 2001 as it did in 2000, using proceeds from the agency's \$6.8 billion power program, user fees and sources other than appropriations.

The 2001 goals for TVA include:

- Maximizing the percentage of time the Tennessee River is open to commercial navigation from Knoxville, Tennessee to Paducah, Kentucky. In 1999, TVA kept the river open 82 percent of the time. TVA's target is 93 percent in 2000 and 95 percent in 2001.
- Minimizing flood damage by operating the river system with flood control as a priority. In 1999, TVA's actual performance for "flood storage availability" was 94 percent. TVA's target is 80 percent in 2000 and 2001.

Appalachian Regional Commission (ARC)

ARC targets its resources to highly distressed areas, focusing on critical development issues on a regional scale, and making strategic investments that encourage other Federal, State, local and private participation and dollars. From 1988 to 1996, Appalachian employment grew at the national rate of 10.6 percent.

The 2001 goals for ARC include:

- 22,000 people will retain or get jobs, compared to 8,700 in 1999;
- 25,000 households will have access to new or improved water, sewerage and waste management systems, compared to 20,000 in 2000;

- 7,000 people will benefit from business development services; and,
- 100 physicians will be placed in the region's health professional shortage areas to provide another 460,000 patient office visits a year.

Disaster Relief and Insurance

The Federal Government provides financial help to cover a large share of the Nation's losses from natural disasters. Since 1993, the two major Federal disaster assistance programs—the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund and the Small Business Administration's (SBA) Disaster Loan program—have provided over \$31.4 billion in emergency assistance. The Federal Government shares the costs with States for infrastructure rebuilding; makes disaster loans on uninsured losses to individuals and businesses; and provides grants for emergency needs and housing assistance, unemployment assistance, and crisis counseling.

In addition to its disaster response activities, FEMA is working with 118 "disaster resistant communities" across the country as of the end of 1999 and plans to add up to 47 more during 2000. Participating communities assess their risks from earthquakes, floods, hurricanes and other disasters, and adopt prioritized mitigation plans.

Communities participating in FEMA's flood insurance program, which provides the only source of affordable flood insurance to property owners, must mitigate future losses by adopting and enforcing floodplain management measures that protect lives and new construction from flooding. FEMA is also modernizing its inventory of flood plain maps, and will be taking measures to mitigate properties experiencing repetitive flood damages.

The 2001 goals for FEMA include:

- Providing incentives and support to the public sector to increase the disaster resistance of communities;
- Improving disaster response and customer satisfaction by processing disaster declara-

tions within eight days, making 50 percent of funding for emergency work projects available to States within 30 days of application approval, making 80 percent of public assistance funding determinations, on average, within 180 days, and processing disaster housing applications from individuals within five to eight days of receipt; and,

- Increasing the number of flood insurance policies in force by five percent to a total of 4,600,000 in 2001.

The 2001 goals for the SBA Disaster Loan Program include:

- Increasing the number of disaster loan applications processed within 21 days of receipt from 65 percent in 1999 to 70 percent in 2001; and,
- Establishing an effective field presence at the disaster site within three days of a disaster, for 98 percent of declared events.

Tax Expenditures

The Federal Government provides tax incentives to encourage community and regional development activities, including: (1) tax-exempt bonds for airports, docks, high-speed rail facilities, and sports and convention facilities (costing \$3.8 billion from 2000 to 2004); (2) tax incentives for qualifying businesses in economically distressed areas that qualify as EZs—including an employer wage credit, higher up-front deductions for investments in equipment, tax-exempt financing, and accelerated depreciation—as well as capital gains preferences for certain investments in the District of Columbia and incentives for first-time buyers of a principal residence in the District; (3) a 10-percent investment tax credit for rehabilitating buildings that were built before 1936 for non-residential purposes (costing \$150 million over the five years); (4) tax exemptions for qualifying mutual and cooperative telephone and electric companies (costing \$325 million over the five years); and, (5) up-front deductions of environmental remediation costs at qualified sites (costing \$140 million over the five years).

20. EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

**Table 20-1. Federal Resources in Support of Education, Training,
Employment, and Social Services**

(In millions of dollars)

Function 500	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	46,648	44,390	61,543	61,582	62,288	63,447	64,570
Mandatory Outlays:							
Existing law	11,281	11,294	15,401	13,978	15,536	16,168	17,183
Proposed legislation		-100	-2,764	-246	-158	-195	-230
Credit Activity:							
Direct loan disbursements	18,080	14,662	15,785	N/A	N/A	N/A	N/A
Guaranteed loans	21,914	25,261	26,472	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	34,070	36,030	37,565	38,745	41,240	42,350	44,740
Proposed legislation		66	1,363	3,654	3,821	4,970	5,470

N/A = Not available.

A wide variety of Federal programs assist States and localities in providing essential education, training, employment and social services. These programs help educate America's youth; offer training and employment services to all Americans, especially those who are low-skilled and jobless; assist youth and adults overcome financial and other barriers to postsecondary education and training; are an essential part of the safety net for poor Americans; and work with employers and employees to maintain safe and stable workplaces.

The President proposes to spend over \$67.5 billion in 2001 on: grants to States, localities and non-profit organizations; grants, loans, and scholarships to individuals; direct Federal program administration; and, subsidies leveraging over \$42 billion in loans to individuals. The budget also allocates approximately \$41.3 billion in 2001 in tax expenditures for programs in this function.

Department of Education

Elementary and Secondary Education:

Federal spending for elementary and secondary education targets important national needs, such as equal opportunity and the use of challenging academic standards, to improve student achievement. Most low-performing children in high-poverty schools receive extra educational assistance through the Title I (Education for the Disadvantaged) program. Other programs provide related support for children with disabilities and limited English proficiency; support teacher and administrator training; help finance and encourage State, district, and school reforms; help reduce class size; and support research and technical assistance. The Administration's long-term goal is to help all children, especially low-income and minority children, raise their levels of achievement so that they can meet challenging academic standards.

The Federal focus began to change in 1994 from supporting individual programs to emphasizing school-wide and school system reforms, through the President's Goals 2000 Educate America Act and Improving America's Schools Act (IASA), including Title I. These laws support State and local standards-based reform efforts and promote the use of technology in education to improve learning. These new approaches have freed States and schools from unnecessary Federal process restrictions, providing greater flexibility while requiring more accountability for results. Early results show that the new approaches are having a significant impact: for example, all but one State has content standards in at least reading and math, compared to only 19 States before Goals 2000 and IASA. By 1997, over 70 percent of all Title I schools reported using standards to guide reading and math curricula, with a goal of 100 percent in 2000.

Title I: Minority students have made substantial gains in science, math, and reading since the 1970s, narrowing the gap between minority and non-minority student achievement by about a third. Citing Title I, as well as Head Start and child nutrition programs, a 1994 RAND study found that "the most plausible" way to explain big education gains of low-income and minority children in the past 30 years is "some combination of increased public investment in education and social programs and changed social policies aimed at equalizing educational opportunities." More recently, a 1998 RAND study on rapid achievement gains in North Carolina and Texas found that the most probable explanation for the gains, including those of disadvantaged students, stemmed from policies of high standards for all students, aligned assessments, accountability with consequences, and targeting high-poverty schools. These are all core principles of Title I. The budget provides \$9.14 billion for Title I, including \$8.36 billion for grants to local education agencies. In 2001, Title I grants to school districts will provide educational services to over 12.2 million students in high-poverty communities, 400,000 more children than in 2000.

The 1994 reauthorization of Title I set in motion a series of new requirements on States for improving educational results

for disadvantaged children, as a condition for receipt of Title I funds. Implementation has been uneven. For 2001, the Administration proposes a stronger emphasis on accountability for improved education results in Title I, financed with an Accountability Fund and reinforced in its reauthorization proposal for the Elementary and Secondary Education Act. Within Title I, the budget provides \$250 million for this Fund to help accelerate States' implementation of accountability provisions in the Title I program, nearly doubling the amount available in 2000. The Accountability Fund will help States identify their lowest performing schools, intervene with effective strategies to improve student outcomes, and report on their results.

Title I is helping to improve student achievement. The most recent study of Title I schools shows progress in the percentage of students that meet State standards for proficiency in math and reading, regaining ground lost in the late 1980s and early 1990s. Results from the 1998 National Assessment of Educational Progress, a series of tests considered to be the Nation's "report card," show that among the lowest-achieving 4th graders—those most likely to be served by Title I—there were fairly substantial improvements in reading between 1994 and 1998. Those in the lowest 10 percent gained an average of nine points and those in the bottom 25 percent gained five points, compared with the stable performance of the other groups.

Title I is also helping schools provide extended learning time, a practice that tends to improve student achievement. Over 60 percent of Title I schools now have after-school programs to provide extra learning time for tutoring rather than taking students out of the regular classroom for assistance, compared to less than 10 percent before 1994.

Teacher Quality and Professional Development: The budget provides \$1 billion to help States and districts provide sustained, content-rich professional development, recruit teachers, and support State efforts to align curricula and assessments with content standards.

21st Century Community Learning Centers/After School Programs: The budget proposes to more than double this program to \$1 billion, as part of a comprehensive approach to fix failing schools by providing children in these schools the extra help they need to meet challenging academic standards. Grants to public schools and community-based organizations support the establishment or expansion of after-school, summer school and other extended learning opportunities. The budget provides sufficient funds to make after- or summer-school programs universally available to help turn around failing schools, defined as schools identified under Title I as in need of improvement.

In 2001, over 10,000 schools will receive 21st Century Community Learning Centers grants. Most of these schools are in districts that commit to use these funds as part of a comprehensive effort to improve learning in low-performing schools. In future years, grantees will report their progress and receive continuation grants if they meet program terms.

Reading Excellence: A student's most basic skill to master is reading. Although reading problems are particularly severe for disadvantaged students, students with reading difficulties represent a cross-section of American children. On the 1998 National Assessment of Educational Progress, 68 percent of all fourth-grade students in high poverty schools scored below the basic reading level. The President launched the America Reads Challenge to provide extra help to meet the goal that every child will read well and independently by the end of the third grade, and obtained enactment of new legislation that began funding local programs on July 1, 1999. The budget provides \$286 million for the Reading Excellence program.

The Department of Education's objective for the Reading Excellence program is to significantly improve students' achievement in participating schools and classrooms. By 2001, participating students will increase their reading scores significantly compared to non-participants. Furthermore, by the end of 2001, at least 15 States will have revised their State in-service training and guidelines

for reading certification of teachers to reflect scientifically-based reading research.

Education Technology: The Administration's education technology programs serve to make modern computers and technologies accessible to all students; connect classrooms to the Internet; make high-quality educational software an integral part of the curriculum; and enable teachers to effectively integrate technology into their instruction. The budget provides \$903 million for education technology.

- The Administration's goal is that by 2001, all schools will be connected to the Internet. This compares to an actual level of 65 percent in 1996 and 89 percent in 1998.
- In 2001, a higher percentage of teachers than in 1996 will integrate high-quality technology-based instruction into their curriculum. In Fall 1996, 20 percent of public school teachers used advanced telecommunications for teaching. In 1994, 40 percent of the fourth graders and 17 percent of the eighth graders had teachers reporting use of computers to teach reading. In 1996, about 75 percent of fourth grade students and 46 percent of eighth grade students had teachers reporting use of computers for math instruction.

Special Education: Under the Individuals with Disabilities Education Act (IDEA), the Education Department works with States to ensure that children with disabilities receive a "free appropriate public education" that prepares them for employment and independent living, and that all schools are held accountable for the educational results of special education children. As of July 1, 1998, all States were required to have performance goals and strategies in place for students with disabilities aged three to 21, and to report their progress toward meeting those goals on a biennial basis. Moreover, by July 1, 2000, all States will be required to include special education children in State and district-wide regular assessments or provide alternate assessments to measure educational performance. The budget provides \$6.4 billion for IDEA, a \$333 million increase.

One measure of success is the increase in the percentage of students with disabilities who are graduating from high school with

a regular diploma and the reduction in the number who are dropping out.

- In the 1995–96 school year, 53 percent of students with disabilities left school by graduating with a regular diploma and 34 percent dropped out of school. The Administration’s goal for school year 2000–01 is that 58 percent of students with disabilities will graduate with regular diplomas and that no more than 29 percent will drop out.

Bilingual Education: The budget provides \$296 million for this program in 2001, an increase of \$48 million over 2000. The population of limited English proficient (LEP) students has grown dramatically over the last two decades. Between school years 1992–93 and 1996–97, the LEP population in 10 states (Alabama, Alaska, Florida, Idaho, Nebraska, Nevada, North Carolina, Oregon, South Carolina, Tennessee) grew by more than 50 percent. The Bilingual Education program provides funds to school districts to teach English to LEP students and helping them meet the same challenging state standards required of all other students. Likewise, through the Professional Development authority, the program provides funding to address the critical shortage of highly trained Bilingual Education and English as a second language (ESL) instructors.

- In 2000, Federal funds will support the training of nearly 5,700 teachers. In 2001, funds will support training of about 8,000 teachers to specialize in teaching LEP children.

Class Size Reduction: The budget proposes \$1.75 billion, an increase of \$450 million over 2000, as the third installment of the President’s plan to help schools recruit, hire, and train 100,000 new teachers by 2005 and reduce class size in the early grades.

States will annually reduce the average class size in grades one through three so that by 2005, the average class size nationally in the targeted grades is 18 students per classroom. In 1993–1994, the average number of students in a grade one to three classroom was 22. In 1999–2000, the first year of the program, school districts met their goals and hired 29,000 teachers. As a result, class

sizes in grades in which teachers were hired decreased from an average of about 23 to 18.

Public School Choice: The budget includes several initiatives to expand the availability of choice in public schools, such as Opportunities to Improve our Nation’s Schools (OPTIONS), a proposed new program that would fund innovative approaches to public school choice like public schools located at work sites or on college campuses. Funding is also provided to continue the inter-district magnet school program initiated in 2000. The largest public school choice program is Charter Schools.

Charter schools introduce innovation and choice into public schools. In 1992, there was one charter school in operation, funded locally. Thanks in part to startup funding provided through the Public Charter Schools program, that number has grown to over 1,700 schools in 2000. The budget provides \$175 million for charter schools. At this level, by 2001, the program will have helped nearly 2,400 charter schools since its inception, supporting the President’s goal of 3,000 charter schools by 2002.

Safe and Drug-Free Schools and Communities: Since 1993, this program has provided a total of \$4.3 billion to help 97 percent of all school districts implement anti-drug and anti-violence programs. The budget proposes \$650 million for this program, including \$122 million in competitive grants under the inter-agency Safe Schools/Healthy Students initiative in conjunction with contributions from the Departments of Health and Human Services, Justice, and Labor; \$50 million for the newly established Coordinator Initiative to ensure that over 1,300 middle schools have a director of drug and violence prevention programs to monitor local programs and link school-based programs to community-based programs; and, \$10 million for Project SERV, a resource for responding to school violence incidents.

In 1997, the rate of alcohol use in schools was five percent for eighth graders and eight percent for 10th and 12th graders; the 1997 rate of marijuana and other drug use in schools was five percent and 11 percent for eighth and 10th graders, respec-

tively, and the rate of marijuana use was 10 percent for 12th graders.

- The Administration's performance goal is that by 2001, rates of annual alcohol use in schools will decline to four percent for eighth graders and seven percent for 10th and 12th graders; rates of annual marijuana and other drug use in school for the same time period will decline to three percent and 10 percent for eighth and 10th graders respectively, and the rate of annual marijuana use will decline to nine percent for 12th graders.

Postsecondary Education: The economic returns to a college education are dramatic. Males working full time who are over 25 years old and have a bachelor's degree earned 56 percent more in 1997 than workers with just a high school degree. Moreover, the benefits of college extend beyond the college graduates themselves. The resulting higher socioeconomic status of parents with college degrees leads to greater educational achievement by their children.

Since the GI Bill was enacted following World War II, the Federal Government has played a growing role in helping Americans go to college. Since 1964, Federal postsecondary programs have helped nearly triple college enrollment, increasing by a third the share of high school graduates who attend college.

- In 2001, the Education Department will provide financial aid to approximately nine million students.

Hope Scholarships and Lifetime Learning Tax Credits: These tax benefits for postsecondary education were proposed by President Clinton in 1996 and enacted in 1997. They have helped make college more affordable for many American families.

In the 2000 tax year, 5.6 million students will be eligible for over \$5 billion in Hope tax credits, and 7.2 million students will be eligible for almost \$2.4 billion in Lifetime Learning tax credits.

Pell Grants: When President Clinton took office in 1993, the Pell Grant maximum award was \$2,300—the same as it was when President Bush took office in 1989. Over the next

six years, from 1994 to 2000, the maximum award increased 43 percent to \$3,300. In fiscal year 1998, an estimated 76 percent of Pell Grant funds were awarded to students below 150 percent of the poverty level. The budget provides for a program level of \$8.5 billion for Pell Grants.

- An estimated 3.9 million needy students will receive Pell Grants in 2001, for which the budget proposes a maximum award of \$3,500, an increase of \$200 over 2000.

Work-Study: The Work-Study program helps needy undergraduate and graduate students finance postsecondary education through part-time employment. In 1996, the President set a goal of supporting one million work-study students each year by 2000. This goal was achieved. The budget includes \$1.011 billion, an increase of \$77 million over 2000, to maintain this commitment.

GEAR-UP: The budget proposes increasing funding for GEAR-UP, the early intervention program based on the President's High Hopes proposal, to \$325 million in 2001. GEAR-UP provides funds for States and local partnerships to help students in high-poverty schools prepare for and attend college. The Department of Education aims to have GEAR-UP program participants successfully complete high school and enroll in postsecondary education programs at higher rates than comparable non-participants.

Student Aid Delivery System Modernization: The Education Department manages the delivery of student aid benefits to nearly nine million students in approximately 5,300 postsecondary schools, and oversees the direct and guaranteed loan systems affecting 37 million individuals, 4,100 lenders, and 36 guarantee agencies. The Department has made modernization of student financial aid management one of its highest priorities. Through the Higher Education Amendments of 1998, the Administration and Congress authorized the Department to establish the Government's first ever Performance-Based Organization (PBO). This new organization has unprecedented flexibility in procurement, operations and management of Federal student financial assistance programs. Major parts of the effort include improving customer service at lower cost through better contracting practices and

use of new information technology. For example, students can now apply for student financial aid electronically and access their direct student loan information over the Internet. The PBO is one of the Administration's High Impact Agencies. The three primary goals of the PBO are:

- *Improving customer satisfaction:* The PBO has established the goal of increasing the satisfaction of "customers" of the student financial assistance programs to a level commensurate with private sector financial service firms. Under the national survey conducted by the University of Michigan in 1999, the PBO scored 63 in satisfaction. The goal is to increase this rating to 74 out of 100 by 2002.

In 2000, the PBO has committed to improving customer satisfaction in at least six of 10 core functions, as measured through detailed surveys.

- *Reducing cost:* The PBO has set a target to reduce the 2004 projected unit cost of delivering each student aid dollar by 19 percent.

In 2000, the PBO has committed to reduce unit costs by \$18 million and re-invest this amount in further information systems modernization. These investments will produce even greater future unit cost reductions.

- *Improving employee satisfaction:* Recognizing that employee satisfaction is essential to modernizing the delivery of student financial assistance and achieving the aforementioned goals, the PBO has committed to raising employee satisfaction, as measured by the Office of Personnel Management (OPM), to the top five of all Government agencies by 2002. In 1999, the PBO ranked 33rd out of 50 in the OPM survey.

As a down-payment in 2000 on the long-range commitment, the PBO's management has committed to making demonstrable progress on five issues identified by the Labor-Management Partnership Council.

Student Aid Income Verification: In 2000, in accordance with the Higher Education

Amendments of 1998, the Departments of Education and Treasury will conduct a test match of income data provided on the student aid application against IRS data. This test match will provide important information for the development of a full scale match, which would enable the Department of Education to reduce fraud and improve eligibility determinations.

Adult Education: For many disadvantaged adults, Federal adult education programs provide the only opportunity to gain literacy skills and obtain the knowledge and skills necessary to attain employment and self-sufficiency, to learn English, and to complete their secondary education. The new Adult Education and Family Literacy Act places a strong emphasis on performance and accountability, and States must now establish annual performance targets for the educational achievement of participating adults. States that meet or exceed their targets in adult education and other Federal workforce development programs are eligible to receive special incentive grants. The budget proposes \$555.5 million for adult education, an increase of \$85.5 million over 2000.

- The Administration's goal is that by 2001, 40 percent of the adults in beginning level adult basic education, adult secondary education, and English as a second language (ESL) programs will achieve basic skill proficiency, earn a diploma or General Educational Development (GED) credential, or achieve basic English proficiency. In 1999, 31 percent of the adults in basic education, 33 percent of those in secondary education, and 28 percent of those in ESL programs achieved basic skill proficiency, earned a diploma or GED, or achieved basic English proficiency.

Vocational Rehabilitation Services: The Vocational Rehabilitation (VR) program provides funds to States to help individuals with disabilities prepare for and obtain gainful employment to the extent of their capabilities. In 1998, the program helped 223,668 individuals with disabilities secure employment, and 88 percent of these individuals obtained competitive employment. The budget includes \$2.8 billion for Vocational Rehabilitation. In 1999, all States started to develop challenging State-specific goals based on a comprehensive assessment of the vocational rehabilitation needs of

individuals with disabilities and to describe the strategies that will be used to address those needs. State agencies will begin reporting progress made toward meeting the goals in 2000.

- In 2001, 63 percent of all individuals with disabilities served in the VR program will obtain employment, up from 61 percent in 1999. Of those achieving competitive employment, 85 percent will maintain employment and earnings 12 months after their case is closed.

Labor Department

Elementary, secondary, and postsecondary investments enable Americans to acquire the skills to get good jobs in an increasingly competitive global economy. In addition, most workers acquire more skills on the job or through billions of dollars that employers spend each year to enhance worker skills and productivity. However, some workers also need special, targeted assistance. In addition to Pell Grants, student loans, and tax credits, the Federal Government spends some \$7 billion a year on Department of Labor (DOL) programs that finance job training and related services. Workers who want to learn about job openings can use the State Employment Service and One-Stop Career Center System and DOL's popular America's Job Bank (AJB) website, which currently lists 1.5 million job vacancies daily and has over eight million job searches each month, an increase over the 900,000 job vacancies and six million job searches reported last year.

The Workforce Investment Act (WIA) of 1998: The WIA takes full effect on July 1, 2000, as the Job Training Partnership Act is repealed and all States fully implement the WIA requirements. The WIA reflects the principles the President sought in his GI Bill for America's Workers proposal including: streamlining services through One-Stop Career Centers; empowering individuals with the information and resources they need to choose the training that is right for them; providing universal access to a core set of employment services such as job search assistance; increasing accountability; ensuring a strong role for the private sector and the local boards who develop and oversee programs; facilitating State

and local flexibility; and improving the quality of youth job training services.

DOL has launched several longitudinal evaluations of its job training programs over the past two decades, including a major impact evaluation of the Job Corps program. Past studies have found generally positive results.

While impact evaluations are the best measure of program effectiveness, DOL also sets annual performance goals for its major job training programs. Beginning in July 2000, each State will implement an accountability system to measure performance. The goal of this system is to optimize the return on investment of Federal funds directed to State and local workforce activities. This accountability system will assess the effectiveness of States and local areas in achieving positive outcomes and ensuring continuous improvement of their workforce investment systems. The WIA establishes core performance indicators for all adult, dislocated worker, and youth programs that help people find and retain unsubsidized jobs, increase earnings, or lead to further education and attainment of credentials or employable skills. DOL is working with each State to establish appropriate baselines and challenging performance goals. The goals and measures indicated here and in DOL's performance plan were established using programmatic data from the predecessor job training program as a baseline.

The WIA establishes strong ties between performance and funding. If a State fails to meet its expected levels of performance in any year, it can request technical assistance from DOL. If a State continues to fail to meet its agreed-upon performance levels for a second year, or if a State fails to report its performance information in any year, its funding may be reduced by up to five percent.

Reemployment services: In the 2000 Budget, the President proposed a major initiative to help working and laid-off workers to get the information and training they need to succeed in a dynamic labor market. This budget includes increased funding for new initiatives to ensure that: (1) all displaced workers would receive the training they want and need; (2)

individuals who lose their job due to no fault of their own could get improved re-employment services; and, (3) every American would have access to One-Stop Career Center services.

WIA's Dislocated Worker Employment and Training Activities: This program will provide training and employment services to about 984,000 displaced workers in 2001. The budget proposes \$1.8 billion for dislocated workers, an increase of \$181 million over 2000, when the program will serve 836,000 participants. While new performance measures will be developed for the WIA beginning in 2001, in 2000, 80 percent of participants are expected to be employed six months after leaving the program in jobs that replace, on average, 98 percent of their pre-dislocation earnings. The budget also includes a legislative proposal to consolidate and reform the Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance programs.

One-Stop Career Centers/Employment Service: The Employment Service provides a free labor exchange for all job seekers and employers, and is growing more effective through implementation of a One-Stop delivery system. The budget proposes \$1.010 billion for a range of information and services, including self-service access to job and labor market information, either through the Internet or in local offices, as well as staff-assisted services for those needing more help.

- In 2001, DOL and the States will work to increase the number of employers listing jobs with the AJB website by 10 percent over the 2000 level while expanding information on local labor markets to help workers make informed career decisions.

Continued efforts in 2001 to improve access to the information and services of the One-Stop system will include a toll-free number, mobile One-Stops, and on-line job information made available at community-based organizations. In addition, DOL will have the lead in a new Administration initiative called Access America for Workers. This initiative envisions a consolidated website that will serve as a single point of contact for American workers and their families to access a wide range of Internet-based services, information, and transactions.

Work Incentive Grants: To enhance the employment prospects of individuals with disabilities, the budget includes \$20 million for competitive grants to partnerships or consortia in each State to provide new services and information for individuals with disabilities who want to return to work. These partnerships would work with the One-Stop system to augment its capabilities to provide timely and accurate information that people with disabilities need to get jobs and learn about the benefits available to them when they return to work. In addition, the partnerships would improve local service delivery by coordinating the State and local agencies and disability organizations that help individuals with disabilities prepare to enter or reenter the workforce. In 2001, DOL's goal for grantees is a three-percent increase in the number of individuals with disabilities served and a three-percent increase in unsubsidized employment outcomes over the 2000 level.

Incumbent Workers: To boost the skills, productivity, and wages of the U.S. work force, the budget includes \$30 million for competitive grants to States for training and upgrading the skills of currently employed workers. Applicants would be required to provide non-Federal matching resources, and employers that received grant assistance would be expected to demonstrate that training increased participant earnings.

Responsible Reintegration for Young Offenders (RRYO): The budget includes \$75 million for this new initiative to establish partnerships between the criminal justice system and local one-stop delivery systems created under the WIA. Young offenders up to age 35 would be able to access a comprehensive array of services—including education, training, drug treatment and support services—that would help them successfully reenter the community.

- In 2001, the RRYO will provide competitive grants to serve almost 19,000 young ex-offenders.

Youth Opportunity Grants (YOG): The YOG initiative addresses the special problems of out-of-school youth, especially in inner-cities and other areas where unemployment rates are high. The budget provides \$375 million for the third year of five-year competitive grants to 25–30 communities and the first year of

five-year competitive grants to an additional 12–15 communities.

- By 2001, 75 percent of YOG participants placed in employment, the military, advanced training, postsecondary education, or apprenticeships will be retained at six months.

Job Corps: The Corps provides skill training, academic and social education, and support services in a structured, residential setting to approximately 73,000 very disadvantaged youth per year at 122 centers.

Performance data indicate that, in program year 1998, 82 percent of Job Corps graduates enrolled in education or entered employment after leaving the program.

- By 2001, 85 percent of Job Corps graduates will be enrolled in education or get jobs with an average starting wage of \$7.25 per hour. In addition, 70 percent will still be enrolled in education or employed six months after their initial placement.

Workplace Protections: DOL regulates compliance with various laws that protect individuals in the workplace—a minimum wage for virtually all workers, prevailing wages and equal employment opportunity for workers on government contracts, overtime pay, restrictions on child labor, and time off for family illness or childbirth. (For discussion of workplace safety programs, see Chapter 21, “Health.”) In these areas, the Federal Government is working to increase industry’s compliance with labor protections through voluntary compliance initiatives coupled with continued strong enforcement, outreach to new and small business, and targeted enforcement in specific industries. DOL measures the success of these efforts against specific measurable goals:

- In 2001, DOL will increase compliance by five percent among employers who were previously violators and the subject of repeat investigations in targeted health care, garment, and identified agricultural commodities industries.

Bureau of International Labor Affairs (ILAB): The budget provides \$167 million for ILAB to continue the Administration’s commitment to help developing countries establish

core labor standards and reduce exploitative child labor internationally. The budget includes \$55 million for the School Works programs to help developing countries with high levels of abusive child labor to enroll and retain these children in basic education as a primary strategy in the elimination of child labor.

- In 2001, ILAB will increase by 50 percent the number of countries signing memoranda of understanding with the International Labor Organization’s Program on the Elimination of Child Labor, adding 20 new countries to the IPEC membership list. In addition, in 2001 ILAB will focus its efforts to support projects on the worst forms of child labor and continue to raise public awareness and international support for the progressive elimination of child labor.

Welfare-to-Work: Moving people from welfare to work is a primary goal of Federal welfare policy. In addition to the \$16.5 billion per year provided through the Temporary Assistance for Needy Children Program, the President obtained \$1.5 billion to help achieve this goal through Welfare-to-Work (WtW) grants in 1998 and 1999. These grants provide welfare recipients with the job placement services, transitional employment, and job retention and support services they need to achieve economic self-sufficiency. Working closely with Congress, the Administration secured critically needed changes to WtW’s eligibility and reporting requirements. These streamlined criteria will allow WtW, within existing resources, to better serve the eligible population and report program results with minimal burden. The budget includes a proposal to extend by two years the time period in which grantees may spend their existing WtW funds.

Fathers Work/Families Win: The budget includes \$255 million to put non-custodial parents who own child support to work so they can support their children; and help low-income custodial parents stay in their jobs, move up the career ladder, and remain off cash assistance. DOL will develop with each successful applicant a goal to increase the employment, earnings, and retention of program participants.

Department of Health and Human Services

Head Start: Head Start gives low-income children a comprehensive approach to child development, stressing language and cognitive development, health, nutrition, and social competency. Head Start is administered by the Administration for Children and Families (ACF), one of the Vice President's High Impact Agencies. The budget provides \$6.3 billion for Head Start, a \$1 billion increase over the 2000 level.

- In 2001, Head Start will serve approximately 70,000 additional children, for a total of 950,000 children. The Head Start program goal established by the President is to serve one million children annually by 2002.
- Within the overall total of children served, in 2001 approximately 10,000 more children under age three will participate in the Early Head Start component, for a total of nearly 54,000. The President established the goal of doubling the number of children below age three served in Head Start by 2002, within the goal of one million total children.

National evaluation studies of both the regular Head Start program and the Early Head Start component are under way to improve outcomes for Head Start families, including child growth and development.

- In 2001, the Head Start program will increase the average improvement in literacy skills of Head Start children from 66 to 77 percent. Head Start will also increase the percentage of participating children whose parents read to them at least three times per week.

Foster Care and Adoption Assistance: The Administration for Children and Families (ACF) administers a number of programs that focus on preventing maltreatment of children, protecting children from abuse and neglect, and finding permanent placements for children who cannot safely return to their homes. The budget proposes a \$5 million pilot initiative to support Indian Tribes' management of their own child welfare systems. Currently, tribal child welfare agencies must operate within state systems to be eligible for Federal support of foster care and adoption assistance activi-

ties. Under the pilot initiative, participating tribes would receive direct Federal funding, improving their ability to meet the needs of eligible Native American children.

- Decrease the number of children with substantiated reports of abuse with a repeat report of maltreatment within 12 months from 12 percent in 1997 to 10 percent in 2001.
- Provide children permanency and stability in their living situations by reducing the median length of time between placement and adoption for all children from 38 months in 1997 to 37 months in 2001.

Aging Services Programs: The Administration on Aging (AoA) administers information and assistance, home and community-based support services for older people, and programs that protect the rights of vulnerable, at-risk older people. In 2001, the budget proposes \$1.1 billion for AoA programs, including \$125 million to assist families who are caring for frail elderly relatives. The goal of care-giver services is to help sustain the efforts of family care givers by providing information, education and counseling, and respite services. AoA will develop performance measures for these activities. The budget also includes \$325 million, an increase of \$15 million, for the core Supportive Services program.

- In 2001, AoA will increase the number of meals served under the Home-Delivered Meals Program to 166 million, compared to 119 million meals in 1996.

National Service

The Corporation for National and Community Service supports programs providing service opportunities Nation-wide for Americans of all ages and backgrounds. Through Corporation-supported projects, over 1.5 million participants work to address the Nation's unmet, critical needs. The Corporation organizes its programs into three streams of service, with various annual performance goals.

AmeriCorps: Building upon the Administration's commitment to shape and strengthen the role of national service, AmeriCorps' goal is to expand service opportunities to 100,000 participants by 2004.

- In 2001, AmeriCorps will engage 62,000 Americans in community service, and provide education awards in return for such service.

Learn and Serve America: This program provides young people with opportunities to serve by connecting community service with academic learning, personal growth and civic responsibility.

- In 2001, 15,000 high school students who have provided outstanding community service will receive Presidential Service Scholarships—compared with 10,000 students in 2000.

National Senior Service Corps: The Corps, which includes over 500,000 people age 55 and older, encourages seniors to use their experience, skills and talents while serving as Foster Grandparents, Senior Companions, and the Retired and Senior Volunteers.

- In 2001, Foster Grandparents and Senior Companions will serve 160,000 special-needs youth and frail elderly, while retired senior volunteers and volunteer leaders will work to further the goals of America's Promise and the America Reads Challenge.

Cultural Agencies

The Smithsonian Institution and Other Cultural Agencies: The Smithsonian Institution, the National Gallery of Art, the U.S. Holocaust Memorial Museum, and the John F. Kennedy Center for the Performing Arts all have as part of their missions the advancement of knowledge and sharing that knowledge with the American public. To accomplish its mission, each institution must maintain its physical infrastructure and provide access to its unique assets.

In 2001, each agency will provide new and updated exhibits and performances, including, for example, major traveling exhibitions from the Smithsonian's National Museum of American Art and National Portrait Gallery to cities nationwide. In 2001, each agency will protect its unique assets by implementing its comprehensive plans for repair and renovation, including completion of repairs of the National Gallery of Art's Mall steps and initiating repairs on the

Gallery's West Building facade and connecting link expansion joints.

In 1999, the National Gallery of Art had 6.7 million visitors, the highest total since 1988, due primarily to the success of the special exhibitions program that included the critically and publicly acclaimed Van Gogh exhibition. The U.S. Holocaust Memorial Museum hosted two million visitors and had 1.3 million visitors to its website while attendance at traveling exhibitions increased by 29 percent over 1998. In 1999, the Kennedy Center completed a comprehensive upgrade of its building automation system and began work on an energy conservation plan.

The National Endowment for the Arts and the National Endowment for the Humanities: The budget proposes \$150 million each for the National Endowment for the Arts and the National Endowment for the Humanities to provide support for important cultural, educational and artistic programs for communities across America. The budget also proposes \$206 million for the Institute of Museum and Library Services (IMLS) to support museums and libraries. In 2001, the Endowments and IMLS will fund education and life-long learning as well as projects to increase public access to performances, exhibitions, and our Nation's cultural treasures held by museums, libraries, archives, and historical organizations. Special attention will be given to underserved areas and to the use of the arts and humanities to strengthen community and family life.

- In 2001 the NEA's proposed Challenge America program will award more than 1,100 grants, directly or in partnership with States, to communities across America for Arts Education, Access to the Arts, Youth-at-Risk, Cultural Heritage and Preservation, and Community Arts Partnerships.
- In 2001, the NEH will help improve the quality of humanities education offered to hundreds of thousands of American school children and college students; provide opportunities for citizens from all walks of life to engage in a lifetime of learning about the Nation's history and culture; preserve and democratize access to millions of brittle books and other important

cultural and intellectual resources; and dramatically expand access to humanities programming for millions of citizens in rural areas and cities nationwide.

- In 2001, IMLS will promote access to learning and information resources held by museums and libraries through electronic linkages, helping all 55 State library agencies expand electronic access to materials and increase Internet access. IMLS will help museums develop and support regional electronic networks, providing technical support to thousands of museums in putting collection information on-line and supporting after-school programs located in museums.

Tax Incentives

The Federal Government helps individuals, families, and employers (on behalf of their employees) plan for and buy education and training through numerous tax benefits, which under current law will cost an estimated \$59 billion in 2001, and \$307 billion from 2001 to 2005. Along with the Hope Scholarship and Lifetime Learning tax credits for college costs, the tax code provides other ways to pay for education and training. State and local governments, for instance, can issue tax-exempt debt to finance student loans or to build the facilities of non-profit educational institutions. Interest from certain U.S. Savings Bonds is tax-free if the bonds go solely to pay for education. Many employers

provide education benefits that do not count as income. Since 1998, many taxpayers have been able to deduct the interest on student loans. Finally, the tax code gives employers a Work Opportunity Tax Credit and a Welfare-to-Work Tax Credit, letting them claim a tax credit for part of the wages they pay to certain hard-to-employ people who work for them for a minimum period.

In 2000, the Administration secured an extension through December 2001 of the current exclusion from employee income of employer-provided educational assistance, known as section 127 of the Internal Revenue Code. New education tax provisions in the budget include proposals to provide tax credits to support public school construction and rehabilitation; expand the Lifetime Learning tax credit by giving families the option of taking a tax deduction or claiming a 28 percent tax credit for postsecondary tuition and fees; eliminate the 60-month limit on the student loan interest deduction to provide longer-term relief to low-and middle-income taxpayers with large educational debt; eliminate the tax owed when certain student loans are forgiven after 25 years of repayment; and, provide a tax credit for employer-provided workplace literacy and basic education programs. In addition, the budget proposes exclusion from income for repayment or cancellation of a student loan under the AmeriCorps Education Award Program.

21. HEALTH

Table 21-1. Federal Resources in Support of Health
(In millions of dollars)

Function 550	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	30,209	33,803	34,951	34,765	35,247	36,058	36,833
Mandatory Outlays:							
Existing law	114,139	123,265	132,310	143,204	155,051	167,539	181,349
Proposed legislation			1,119	2,756	5,275	8,104	9,847
Credit Activity:							
Direct loan disbursements				N/A	N/A	N/A	N/A
Guaranteed loans		100	51	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	82,880	89,290	95,150	101,690	107,365	114,180	122,015
Proposed legislation			128	1,333	2,809	3,909	4,681

N/A = Not available.

In 2001, the Federal Government will spend about \$167 billion and allocate about \$95 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, conduct and support research, and help train the Nation's health care work force. The results of these Federal activities include significant improvements in the health of Americans as evidenced by recent 1997 statistics that indicate that since 1980, life expectancy has risen steadily from 73.7 years to 76.5 years of age and the infant mortality rate decreased from 12.6 deaths per 1,000 births to 7.2 deaths per 1,000 births. Furthermore, Federal programs made significant strides in preventing and eliminating infectious diseases, such as reducing Hepatitis B infection from 8.5 per 100,000 people in 1990 to 3.8 cases per 100,000 people in 1998, as well as in improving treatment and quality of care, and improving the quality of life for individuals suffering from chronic diseases and disability. The Department of Health and Human Services (HHS) is the Federal Government's lead agency for health.

Health Care Services and Financing

Of the estimated \$167 billion in Federal health care outlays in 2001, 87 percent finances or supports direct health care services to individuals.

Medicaid: This Federal-State health care program served about 33 million low-income Americans in 1999. States that participate in Medicaid must cover several categories of eligible people as well as several mandated services. The Federal Government spent \$108 billion, 57 percent of the total, on the program in 1999 while States spent \$81 billion, or 43 percent. Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up less than a third of Medicaid beneficiaries in 1997, but accounted for almost two-thirds of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS. Medicaid pays for over one-third of the nation's

long-term care services. Medicaid spends more on institutional care today than it does for home care, but the mix of payments is expected to be almost equal in 10 years.

Because the Health Care Financing Administration (HCFA) and States jointly administer Medicaid, HCFA has worked with State Medicaid agencies to develop and test national performance goals for Medicaid. These efforts will continue in 2001. With respect to the goal of increasing immunization rates among needy children, HCFA will continue to collaborate with states to develop individualized state immunization goals. The first group of 16 states began determining their baselines in 1999, and will complete them and set performance targets in 2000. All States will have established their baselines and targets by 2002. HCFA's goal complements the Centers for Disease Control and Prevention's (CDC's) broader 2001 goal of helping States ensure that at least 90 percent of all U.S. children by age two receive each recommended basic childhood vaccine.

State Children's Health Insurance Program: More than 11 million American children lack health insurance. To decrease the number of uninsured children, the State Children's Health Insurance Program (SCHIP) was established in 1997 in the Balanced Budget Act to provide \$24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. SCHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards.

Each State's SCHIP plan describes the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. HCFA has been working with the States to develop baselines and targets for the SCHIP/Medicaid goal of decreasing the number of uninsured children by enrolling children in SCHIP and Medicaid. At the end of 1999, two million children were enrolled in SCHIP.

- In 2001, HCFA's goal is to increase the number of children who are enrolled in regular Medicaid or SCHIP by one million over the previous year.

Other Health Care Services: HHS administers a number of other programs in addition to Medicare and Medicaid, each with its own performance goals, to support health services for low-income or specific populations. Selected health-related performance achievements and 2001 goals are highlighted below.

- **Indian Health Services (IHS):** IHS is committed to addressing the major health problems afflicting Native American Indian and Alaska Native people and has targeted diabetes because of the high prevalence of this disease in this population. The percent of diabetics who met the clinically defined criterion of "good glycemic control (i.e., blood sugar control)" increased from 29 percent in 1996 to 35 percent in 1998. In 2001, IHS will demonstrate a continued trend in improved glycemic control in the proportion of Native American clients with diagnosed diabetes.
- **Substance Abuse and Mental Health Services Administration (SAMHSA):** The percent of youths age 12 to 17 who reported current use of illicit drugs decreased from 11.4 percent in 1997 to 9.9 percent in 1998. In 2001, SAMHSA will aim to cut monthly marijuana use in this population by 25 percent, from the 1998 baseline of 8.3 percent to 6.2 percent by the end of 2002.
- **Services for the Mentally Ill:** The Surgeon General's 1999 report on mental health states that one in five Americans is living with a mental health disorder. Increased mental health services funded in SAMHSA will advance the goal of increasing the percent of adults with serious mental illness who are employed, are living independently, and have had no contact with the criminal justice system.
- **Access to Health Insurance:** Increased funding for the Health Care Access for the Uninsured (HCAFU) initiative will develop networks and coordinate services to increase the number of uninsured people receiving primary care, mental health, substance abuse, and other health services and expand the number of services supported.

- **Health Resources and Services Administration (HRSA):** Funds provided throughout the 1990s enabled the network of 4,600 family planning clinics to serve roughly 4.4 million clients each year. Through reproductive health care and counseling, these clinics helped achieve the lowest teenage pregnancy rate since recording began in 1976. The budget establishes the goal of serving 500,000 additional clients.

Youth Smoking Cut in Half: HHS will continue its efforts to reduce underage smoking. The Administration will take steps to cut youth smoking by 50 percent compared with 1999 levels. These steps will include a combination of excise tax increases and a youth smoking assessment, as well as conducting education campaigns, funding and technical assistance to state programs, and cooperation with nongovernmental entities.

Consumer Product Safety Commission (CPSC): Each year, there are an estimated 650,000 product-related head injuries to children under 15 years old. As a part of CPSC's effort to reduce head injuries by 15 percent by 2006, this independent agency recalled or took corrective actions on 12 products in 1998 that presented a substantial risk of head injury. In 2001, CPSC will increase the number of these recalls or corrective actions to 15.

Bioterrorism: HHS' Office of Emergency Preparedness will work with localities to establish 25 new Metropolitan Medical Response Systems, which develop and link local public health, public safety, and health services capabilities to respond to a chemical/biological/nuclear terrorist incident, for a total of 97 systems in various stages of development by the end of 2001.

HHS' Response to the HIV/AIDS Epidemic: Since 1993, HHS has taken significant steps to prevent the spread of AIDS and provide appropriate treatment to those living with HIV/AIDS. In 2000, the Administration established a new initiative to stem the rising tide of HIV/AIDS internationally: this is being expanded in 2001. HRSA's Ryan White CARE Act and the Centers for Disease Control and Prevention (CDC) efforts have successfully decreased the rate of newly reported HIV/AIDS cases in children due to perinatal transmission by 73 percent from 1992 to 1998.

- CDC financed prevention activities will reduce the actual incidence of new HIV infections in the United States five percent by the end of 2001 from the 1999 level of 40,000 new HIV infections.
- Working with other countries, USAID and international and U.S. government agencies, CDC will reduce the number of new infections among 15 to 24 year-olds in sub-Saharan Africa from an estimated two million, by 25 percent by 2005.
- HRSA will increase the number of AIDS Drug Assistance Program (ADAP) clients receiving appropriate anti-retroviral therapy (consistent with clinical guidelines) through State ADAPs during at least one month of the year, to a projected monthly average of 84,500 by 2001. This would constitute a 31-percent increase over the 1999 baseline of 64,500.

Health Research: The National Institutes of Health (NIH) supports and conducts research to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH supports over 50,000 grants to universities, medical schools, and other research and research training institutions while conducting over 1,200 projects in its own laboratories and clinical facilities. In 1999, NIH-supported research led to numerous scientific advances in the prevention and treatment of disease and disability. For example, scientists demonstrated the safety and effectiveness of the anti-AIDS viral drug nevirapine for preventing mother-to-child transmission of HIV. Nevirapine is 70 times less expensive and much easier to administer than AZT, the standard of care in the United States. It offers new hope for reducing maternal-child HIV transmission in developing countries and may be useful for further reducing mother-to-child transmission of AIDS in the U.S. NIH performance goals include:

- Increasing the pace and progress of genome sequencing by completing one-third of the human genome sequence with 99.9 percent accuracy by the end of 2001; by 1999, 442 million base pairs, roughly 15 percent, of the human genome sequence had been completed.

- Developing by the end of 2001 a comprehensive, public database of Federally and privately-sponsored clinical trials for serious or life threatening diseases to ensure that patients, providers, and researchers have access to and are aware of cutting-edge and potentially lifesaving therapies.

Additionally, NIH continues to lead the national effort to meet the President's goal of developing an AIDS vaccine by 2007.

Health Informatics Initiative: The budget includes a new investment in Health Informatics (HI) to allow HHS to improve integration of the broad range of available health information and data. The HI Initiative will also allow HHS to take a leadership role in the establishment of health data standards to improve the uniformity and ease of transmission of healthcare data while strengthening the confidentiality of health information. The ultimate goal of the initiative is to improve patient care and health outcomes through the efficient and effective use of health informatics data. This initiative will complement the initiative to reduce medical errors mentioned in Chapter 3, "Strengthening Health Care."

Public Health Regulation and Safety Inspection: The Food and Drug Administration (FDA) spends over \$1 billion a year to promote public health by ensuring that foods, drugs, biological products, and medical devices are safe. It leads Federal efforts to review new products and ensure that regulations enhance public health without unnecessary burden. The FDA also supports important research and consumer education.

To allow innovative new drugs, medical devices, and other products to be made available to the public more quickly, the FDA has set the following performance goals for 2001:

- review and act on 90 percent of standard original new drug application submissions within a year of submission, while handling a new drug application workload that grows annually;
- complete first action on 90 percent of new medical device applications (known as pre-market applications) within 180 days, compared to 79 percent in 1998; and,

- complete first action on 50 percent of food and color additive petitions within a year of submission, compared to the goal of 30 percent in 1999.

The Food Safety and Inspection Service (FSIS) in the U.S. Department of Agriculture spends \$650 million annually to inspect the Nation's meat, poultry, and egg products, ensuring that they are safe, wholesome, and not adulterated. In 1996, FSIS began implementing a modernized inspection system, Hazard Analysis and Critical Control Point (HACCP) system, that has begun shifting responsibility for ensuring meat and poultry safety from FSIS to the industry. USDA and HHS have the following food safety goals:

- By 2001, 99 percent of federally-inspected meat and poultry plants will comply with the HACCP system;
- Currently, approximately 45–50 percent of high-risk domestic food establishments are inspected annually. FDA will increase this coverage rate to 100 percent;
- CDC will expand State health department capacity to subtype DNA and rapidly exchange information using PulseNet for *E.coli* and *Salmonella Typhimurium*, from 40 labs each in 2000 to 45 labs each by 2001, and for *Listeria* from 20 labs in 2000 to 30 labs by 2001.

Workplace Safety and Health

The Federal Government spends approximately \$620 million a year to promote safe and healthy conditions for over 100 million workers in six million workplaces, mainly through the Department of Labor's (DOL) Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Through a combination of enforcement, compliance assistance, and regulatory approaches, these agencies protect workers from illness, injury, and death caused by occupational exposure to hazardous substances and conditions. According to 1998 DOL data, occupational fatalities and injuries and illness have fallen to the lowest level on record.

- In 2001, OSHA will: (1) reduce injury/illness rates 20 percent in at least 75,000

of the most hazardous workplaces where the agency initiates an intervention; (2) reduce injuries and illnesses by 15 percent at work sites engaged in voluntary, cooperative relationships with OSHA; and (3) initiate an investigation of 95 percent of worker complaints within one working day or conduct an on-site inspection within five working days.

- In 2001, MSHA will reduce fatalities and lost-workday injuries in all mines to below the average number recorded for the previous five years. From 1994 to 1998, there was an average of 92 fatalities and 4.07 lost-workday injuries.

These efforts are complemented by an additional \$10 million in HHS to fund worker safety research at the Agency for Healthcare Research and Quality.

Federal Employees Health Benefits Program (FEHBP)

Established in 1960 and administered by the Office of Personnel Management (OPM), the FEHBP is America's largest employer-sponsored health benefit program, providing over \$18 billion in health care benefits a year to about nine million Federal workers, annuitants, and their dependents. About 85 percent of all Federal employees participate in the FEHBP, and they select from about 300 health plans.

Since 1993, OPM has made improvements in the quality and quantity of health plan information provided to enrollees, consumer protections, and the scope of health benefits covered by the program. In 1993, the annual health benefits open season guide provided program enrollees little more than cost information regarding the program's participating carriers. By 1999, these materials had been enhanced to provide accreditation, performance, and customer satisfaction information in plain language consumers can easily understand. Between 1993 and 1999, FEHBP benefits were expanded to provide coverage for bone marrow transplants, breast reconstructive

surgery, contraceptives, and guaranteed length of stay for maternity and mastectomy.

In 2000, the FEHBP became fully compliant with the President's Patients' Bill of Rights, providing enrollees even stronger rights of information disclosure, choice of providers and plans, rights of complaint and appeal, and other consumer protections.

In 2001, OPM will increase the number of plans in the FEHBP with above average customer satisfaction ratings to 40 percent, an increase over the 33 percent so rated in 1998. In addition, the FEHBP's benefit structure will provide parity in the provision of mental health and substance abuse benefits and FEHBP carriers will institute initiatives to improve health care quality through the prevention of medical errors and enhancements in patient safety.

In addition, the Administration will propose legislation that will help control the future rate of growth of FEHBP premiums by leveraging the purchasing power of the federal government. If enacted, this initiative will enable OPM to develop a comprehensive dental insurance benefit that would be available to Federal employees, annuitants, and their families.

Tax Expenditures

Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income. In addition, self-employed people may deduct a part (60 percent in 2000, rising to 100 percent in 2003 and beyond) of what they pay for health insurance for themselves and their families. Total health-related tax expenditures, including other provisions, will reach an estimated \$95 billion in 2001, and \$540 billion from 2001 to 2005. The exclusion for employer-provided insurance and related benefits (including deductions by the self-employed) accounts for most of these costs (\$81 billion in 2001 and \$456 billion from 2001 to 2005).

22. MEDICARE

Table 22-1. Federal Resources in Support of Medicare

(In millions of dollars)

Function 570	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	2,803	3,067	2,977	2,977	3,012	3,087	3,156
Mandatory Outlays:							
Existing law	187,694	199,475	218,251	223,676	241,888	255,403	277,452
Proposed legislation			-690	2,610	-2,730	6,543	6,075

Created by the Social Security Amendments of 1965, and expanded in 1972, Medicare is a Nation-wide health insurance program for the elderly and certain people with disabilities. The program, which will spend an estimated \$218 billion in 2001 on mandatory benefits (net of beneficiary premiums) and administrative costs, consists of two complementary but distinct parts, each tied to a trust fund: (1) Hospital Insurance (Part A); and, (2) Supplementary Medical Insurance (Part B).

Approximately 35 years ago, Medicare was designed to address a serious, national problem in health care—the elderly often could not afford to buy health insurance, which was more expensive for them than for other Americans because they had higher health care costs. Medicare was expanded in 1972 to address a similar problem of access to insurance for people with disabilities. Through Medicare, the Federal Government created one insurance pool for all of the elderly and eligible disabled individuals while subsidizing some of the costs, thus making insurance much more affordable for almost all elderly Americans and for certain people with disabilities.

Medicare has very successfully expanded access to quality care for the elderly and people with disabilities, but at an increasing cost. The Balanced Budget Act (BBA) of 1997 improved Medicare's financial outlook

for the near future, yet its trust funds face financing challenges as the Nation moves into the 21st Century. The Balanced Budget Refinement Act (BBRA) of 1999 corrected some of the unintended consequences of the BBA. Along with legislative proposals discussed elsewhere in the budget, the Health Care Financing Administration (HCFA), which runs Medicare, is working to reform and modernize the Medicare program.

Part A

Part A covers almost all Americans age 65 or older, and most persons who are disabled for 24 months or more and who are entitled to Social Security or Railroad Retirement benefits. People with end-stage renal disease (ESRD) also are eligible for Part A coverage. Part A reimburses providers for the inpatient hospital, skilled nursing facility, home health care related to a hospital stay, and hospice services provided to beneficiaries. Part A's Hospital Insurance (HI) Trust Fund receives most of its income from the HI payroll tax—2.9 percent of payroll, split evenly between employers and employees.

Part B

Part B coverage is optional, and it is available to almost all resident citizens age 65 or older and to people with disabilities who are entitled to Part A. About 94 percent of those enrolled in Part A have chosen to enroll in Part B. Enrollees pay monthly

premiums that cover about 25 percent of Part B costs, while general taxpayer dollars subsidize the remaining costs. For most beneficiaries, the Government simply deducts the Part B premium from their monthly Social Security checks. Part B pays for medically necessary physician services; outpatient hospital services; diagnostic clinical laboratory tests; certain durable medical equipment (e.g., wheelchairs) and medical supplies; home health care; physical and occupational therapy; speech pathology services; and outpatient mental health services. Part B also covers kidney dialysis and other services for ESRD patients.

Fee-for-Service vs. Managed Care

Beneficiaries can choose the coverage they prefer. Under the traditional fee-for-service option, beneficiaries can go to virtually any provider in the country. Medicare pays providers primarily based on prospective payment, an established fee schedule, or reasonable costs. About 83 percent of Medicare beneficiaries now opt for fee-for-service coverage.

Alternatively, beneficiaries can enroll in a Medicare+Choice plan, and the 17 percent who do are concentrated in several geographic areas. Generally, enrollees receive care from a network of providers, although Medicare+Choice plans may offer a point-of-service benefit, allowing beneficiaries to receive certain services from non-network providers. Medicare+Choice provides beneficiaries access to additional kinds of managed care plans, including Provider Sponsored Organizations and Preferred Provider Organizations. Most managed care plans receive a monthly, per-enrollee capitated payment that covers the cost of Part A and B services. At the start of 2000, 69 percent of all Medicare beneficiaries lived in a county served by at least one Medicare managed care plan.

Successes

Medicare has dramatically increased access to health care for the elderly—from slightly over 50 percent of the elderly in 1966 to almost 100 percent today. According to a recent Medicare Payment Advisory Commission report, 97 percent of Medicare fee-for-service beneficiaries (94 percent for managed care) reported no trouble obtaining care.

Further, 88 percent of fee-for-service Medicare beneficiaries (92 percent for managed care) reported having a physician or physician's office as a usual source of care. Medicare beneficiaries have access to the most up-to-date medical technology and procedures.

Under the BBA and other recent legislation, Medicare beneficiaries now have expanded access to many important preventive care services including mammographies, prostate and colorectal cancer screening, bone mass measurements and diabetes self-management services. These benefits will help prevent or reduce the complications of disease for millions of beneficiaries.

In addition, Medicare is working to protect the integrity of its payment systems. Building on the success of Operation Restore Trust, a five-State demonstration aimed at cutting fraud and abuse in home health agencies, nursing homes, and durable medical equipment suppliers, Medicare is increasing its efforts to root out fraud and abuse. Recent legislation provides mandatory Federal funds and greater authority to prevent inappropriate payments to fraudulent providers, and to seek out and prosecute providers who continue to defraud Medicare and other health care programs. In 1996, in the first ever comprehensive audit of the Medicare program, the Medicare error rate was an estimated 14 percent of all Medicare fee-for-service payments, or about \$23.2 billion. In 1998, the error rate fell to an estimated 7.1 percent, or about \$12.6 billion.

Spending and Enrollment

Federal spending on Medicare benefits will rise by an estimated average annual rate of 7.1 percent from 2001 to 2005—from \$240 billion to \$309 billion.¹ Part A outlays will grow by an estimated 28 percent over the period—from \$140 billion to \$179 billion—or an average of 6.7 percent a year. Part B outlays will grow by an estimated 30 percent—from \$100 billion to \$130 billion—or an average of 7.5 percent a year.

Medicare enrollment will grow slowly until 2010, then rapidly increase as the baby

¹These figures cover gross Federal spending on Medicare benefits, and do not include spending financed by beneficiaries' premium payments or administrative costs.

boom generation begins to reach age 65 in 2011. From 1995 to 2010, enrollment will grow at an estimated average annual rate of 1.4 percent, from 37.4 million enrollees in 1995 to 46.3 million in 2010. But after 2010, average annual growth will more than double, with enrollment reaching an estimated 61.0 million in 2020.

The Two Trust Funds

Hospital Insurance (HI) Trust Fund: As noted earlier in this chapter, the HI Trust Fund is financed by a 2.9 percent payroll tax, split evenly between employers and employees. In 1995, HI expenditures began to exceed the annual income to the Trust Fund and, as a result, Medicare began drawing down the Trust Fund's accounts to help finance Part A spending. Prior to the BBA, the Government's actuaries predicted that the HI Trust Fund would become insolvent in 2001. The Medicare Trustees currently project that the HI Trust Fund will remain solvent until 2015, mostly due to the BBA changes and improved efforts to combat fraud and abuse.

Medicare Part A still faces a long-term financing challenge. Since current benefits are paid by current workers, Medicare costs associated with the retirement of the baby boomers starting in 2010, will be borne by the relatively small number of people born after the baby boom. As a result, only 2.3 workers will be available to support each beneficiary in 2030—compared to today's four workers per beneficiary. The President plans to work with Congress to develop a long-term solution to this financing challenge.

Supplementary Medical Insurance (SMI) Trust Fund: The SMI Trust Fund receives about 75 percent of its income from general Federal revenues and about 25 percent from beneficiary premiums. Unlike HI, the SMI Trust Fund is really a trust fund in name only; the law lets the SMI Trust Fund tap directly into general revenues to ensure its annual solvency.

Balanced Budget Act Implementation

HCFA continues to implement the many changes in Medicare payment methodologies and provider options that were mandated

in the BBA and then modified in the BBRA. Although HCFA was forced to delay some provisions to enable a smooth transition of systems to the year 2000 (Y2K) computer problem, the agency has issued major rules that implement the new Medicare + Choice program, PSO solvency standards, an interim payment system for home health services and a prospective payment system for skilled nursing facilities.

A Plan to Strengthen HCFA's Management Capacity

HCFA faces the formidable challenge of modernizing its administrative infrastructure, meeting pressing statutory deadlines for program change from the BBA, the BBRA and the Health Insurance Portability and Accountability Act, and perhaps most important, the need to be highly responsive to its customers. The budget continues initiatives first proposed in 2000 to increase HCFA's flexibility to operate as a prudent purchaser of health care while also increasing accountability, as discussed in Chapter 31, "Improving Performance through Better Management".

Performance Plan

HCFA has developed a set of performance goals to measure its progress in ensuring that Medicare beneficiaries receive the highest quality health care. HCFA's performance goals relate to four critical areas: quality assurance; access to care for the elderly and disabled; administrative efficiency; and, a reduction in fraud and abuse. HCFA's 2001 goals include:

- Increasing the percentage of Medicare beneficiaries who receive a mammogram once every two years from 45 percent in 1998 to 51 percent in 2001.
- Decreasing the one-year mortality rate among Medicare beneficiaries hospitalized for heart attacks from 31.4 percent in 1995 to 27.4 percent in 2001.
- Determining and reducing the prevalence of pressure ulcers (bed sores) in long-term care facilities. Pressures ulcers are a good indicator of the quality of care provided by nursing homes, a major concern of the Administration's Nursing Home Initiative. This goal is still developmental, and

HCFA is working to establish a baseline during 2000.

- Increasing the percentage of Medicare beneficiaries 65 and over receiving vaccinations for influenza from 59 percent in 1994 to 72 percent in 2001 and those receiving lifetime pneumococcal vaccinations from 25 percent in 1994 to 55 percent in 2001. This latter goal was developed to further address diseases that have resulted in more deaths per year than all other vaccine-preventable diseases combined, as HCFA has achieved and surpassed its 2000 flu immunization performance measure.
- Reducing the payment error rate under Medicare's fee-for-service program from 14

percent in 1996 to seven percent in the year 2000 and five percent by the year 2002, as noted above. The Administration has made great strides over the last few years to reduce improper Medicare payments to hospitals, doctors, and other health care providers.

- Sustaining the percentage of laboratories regulated under the Clinical Laboratory Improvement Amendment that are properly enrolled and participating in proficiency (accuracy) testing at 95 percent. HCFA will also sustain the current percentage of the total scores reported from laboratories enrolled in proficiency (accuracy) testing that contain no failures at 90 percent.

23. INCOME SECURITY

Table 23-1. Federal Resources in Support of Income Security

(In millions of dollars)

Function 600	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	32,741	29,844	41,332	41,332	41,825	42,864	43,804
Mandatory Outlays:							
Existing law	197,753	207,357	217,157	229,744	240,925	251,069	263,282
Proposed legislation		2,190	-1,603	899	1,474	3,046	3,148
Credit Activity:							
Direct loan disbursements	17	14	20	N/A	N/A	N/A	N/A
Guaranteed loans	17	95	83	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	140,290	147,665	153,085	159,305	165,585	172,115	178,850
Proposed legislation		5	2,648	4,605	7,876	10,363	16,389

N/A = Not available.

The Federal Government provides about \$257 billion a year in cash or in-kind benefits to individuals through income security programs, including those generally defined as part of the “social safety net.” Since the 1930s, these safety net programs, plus Social Security, Medicare, Medicaid, and housing assistance (each discussed in other chapters in this Section), have grown enough in size and coverage so that even in the worst economic times, most Americans can count on some form of minimum support to prevent destitution.

The income security programs also include retirement and disability insurance (excluding Social Security, which is described in Chapter 24), Federal activity related to private pensions, and Federal employee retirement and disability programs.

Major Public Benefit Programs

The largest means-tested income security programs are Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and the Earned Income Tax Credit (EITC). The various kinds of low-income housing assistance are discussed in Chapter 17, “Commerce and Housing Cred-

it.” These programs, along with unemployment compensation (which is not means-tested), form the backbone of cash and in-kind “safety net” assistance in the Income Security function.

The major income security programs are managed by four agencies that broadly interact with the American people and businesses. These agencies are the Food and Nutrition Service, the Administration on Children and Families, the Social Security Administration, and the Internal Revenue Service.

Nutrition Assistance

Federal nutrition assistance programs are managed by the Department of Agriculture’s Food and Nutrition Service (FNS). The largest of these programs is the Food Stamp Program. In addition, FNS administers the Special Supplemental Nutrition Program for Women, Infants, and Children, and the National School Lunch and School Breakfast Programs.

Food Stamps: Food Stamps help most low-income people get a more nutritious diet. In an average month in 1999, 18.2 million people, or 7.7 million households, received

benefits and in that year, the program provided total benefits of \$15.8 billion.

- In 2001, the program will provide an average projected benefit of \$77 to 18.6 million persons each month. Food Stamps is the only Nation-wide, low-income assistance program available to essentially all financially-needy households that does not impose non-financial criteria, such as whether households include children or elderly persons. (The 1996 welfare law limits the eligibility of non-citizens, as well as the number of months that childless, able-bodied individuals can receive benefits while unemployed.)
- In 2001, FNS will expand the number of States using Electronic Benefits Transfer to issue 82 percent of Food Stamp benefits, compared to 69 percent in 1999, improving the delivery of benefits, and increasing the ability to track benefits redemption as a fraud prevention tool.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): WIC provides vouchers for nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals to low-income women, infants, and children. The program reached an average of over 7.3 million people each month in 1999. Funding in 2000 is sufficient to serve 7.4 million women, infants, and children monthly, and the budget proposes \$4.1 billion to serve 7.5 million people by the end of 2001, fulfilling the President's goal of full participation in WIC. Results of the National Partnership for Reinventing Government's first Government-wide customer satisfaction survey show that WIC was one of the top-scoring Government programs, receiving especially high scores for the eligibility determination process.

- In 2000, FNS, together with State public health agencies, will increase the incidence of breast-feeding among WIC mothers to 42 percent, compared to 34 percent in 1996.

Child Nutrition Programs: The National School Lunch and School Breakfast Programs provide free or low-cost nutritious meals to children in participating schools.

- In 2001, the programs will serve an estimated 27.8 million lunches daily. By 2005, FNS aims to reduce the average percent of calories from saturated fat in school lunches to 10 percent, down from 15 percent in 1993.

Income Assistance to Aged, Blind, and Disabled Individuals

The SSI program, administered by the Social Security Administration (SSA), provides benefits to needy aged, blind, and disabled adults and children. In 1999, 6.3 million individuals received \$28.1 billion in benefits. In 2001, an estimated 6.4 million individuals will receive a total of \$30.5 billion in SSI benefits. Eligibility rules and payment standards are uniform across the Nation. In 1999, average monthly benefit payments ranged from \$247 for aged adults to \$444 for blind and disabled children. Most States supplement the SSI benefit.

- In 2001, SSA will process 66 percent of initial SSI claims by individuals over age 65 within 14 days of the filing date. In 1999, almost 63 percent of these claims met this goal, a substantial increase from 54 percent in 1998. In future years, the agency's goal is to continue to increase the proportion of these SSI claims processed within 14 days.
- In 2001, SSA will improve the SSI payment accuracy rate to 95.5 percent, up from 94.8 percent in 1999.

Income Assistance to Families

Major income assistance for low-income families is provided through the TANF program, administered by the Department of Health and Human Services Administration for Children and Families (ACF) and the Earned Income Tax Credit, administered by the Internal Revenue Service. In addition, ACF administers the Child Support Enforcement Program and the Child Care and Development Fund. Other income security programs run by ACF include refugee assistance and low-income home energy assistance.

Temporary Assistance for Needy Families (TANF): In the 1996 welfare reform law, the President and Congress enacted TANF as the successor to the 60-year-old Aid to

Families with Dependent Children (AFDC) program. TANF, for which the Federal Government allocates about \$16.8 billion each year, is designed to meet the President's goal of dramatically changing the Nation's welfare system into one that requires and rewards work in exchange for time-limited assistance. The TANF program gives States broad flexibility to set eligibility criteria and to determine the types of assistance they provide. With fewer families receiving cash assistance, States can use the flexibility in TANF to help low-income working families retain and advance in their jobs.

- The strong work focus of welfare reform and the economy enabled ACF to meet its goal of moving one million welfare recipients into new employment before its 2000 goal date. In 1997, States reported an average earnings increase of 23 percent for former welfare recipients over a period of two quarters. In 2001, ACF will work with States to increase earnings for former welfare recipients by 30 percent.
- In 2001, ACF, in coordination with the Health Care Financing Administration (HCFA), will increase the percentage of eligible individuals who remain enrolled in Medicaid or the Children's Health Insurance Program (CHIP) six months after leaving TANF.

Individual Development Accounts (IDAs): The budget includes \$25 million in grants for IDAs, to empower low-income individuals to save for a first home, postsecondary education, or to start a new business. ACF selected sites to administer this program in late 1999.

Child Support Enforcement: The Child Support Enforcement Program establishes and enforces the support obligations owed by noncustodial parents to their children. In 1998, the number of paternities established rose to nearly 1.5 billion, and child support collections have nearly doubled since the President took office, to an estimated \$15.5 billion in 1999. In 1999, the Federal Government provided \$3.0 billion to State and local governments to help them run the program. The Federal Government retained \$1.3 billion in TANF-related collections from the States, making the net cost of this

program to the Federal Government \$1.7 billion. In 2001, estimated Federal costs net of TANF collections will be \$2.2 billion.

The budget includes several proposals to increase child support collections and to direct more of these payments to low-income families. The budget proposes new measures to collect child support from parents who owe past-due support, and to bring delinquent non-custodial parents into compliance. The budget would allow States to pay all child support collected on behalf of former welfare families directly to the family, and would provide Federal matching funds for child support that States pass-through to families receiving welfare, above States' current efforts. (For a discussion of this budget's child support proposals, see Chapter 2, "Supporting Working Families.")

- In 2001, ACF will increase the child support collection rate to 71 percent, compared to 51 percent in 1998.

Child Care: The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding, or conducting early childhood development programs and before- and after-school programs. Federal child care funding has more than doubled under this Administration, providing child care services in 1999 for approximately 1.75 million children from low-income working families or whose parents are moving from welfare to work.

The budget proposes a 2001 increase of \$817 million for child care subsidies as well as a new \$600 million Early Learning Fund to provide grants to communities to improve school readiness by fostering the cognitive, physical, social, and emotional development of children under five years old. For the proposed Early Learning Fund, ACF will evaluate the range of school readiness activities funded and will work with the Department of Education and the States to establish performance goals and indicators that focus on educational outcomes and quality factors, such as provider training and low child-to-staff ratios, that are associated with enhanced school readiness.

Access to high-quality, affordable child care is critical to the achievement of self-sufficiency by TANF recipients and low-income working families. Over the past year, ACF has worked with States to develop a new set of performance measures and ACF will continue to collect baseline data for the program's goals of increasing access to affordable care and improving the quality of care to promote children's development. For example, in order to increase access to affordable care, ACF aims to decrease the average percentage of family income spent on child care co-payments by families receiving Federal subsidies. In order to improve the quality of care, ACF will increase the number of facilities that are accredited by a nationally recognized early childhood development professional organization.

- In 2001, the Child Care and Development Fund, including new funds, will provide child care assistance to an estimated 300,000 additional low-income children over the 1.92 million children estimated to receive assistance in 2000.

Child and Dependent Care Tax Credit (DCTC): The DCTC helps approximately six million families cover their child care costs each year. Under current law, taxpayers may receive a nonrefundable tax credit for a percentage of certain child care expenses they pay in order to work. The budget proposes to increase the credit amount for middle-income families and to make the DCTC refundable beginning in 2003 so that for the first time low-income working families will be able to receive the maximum credit. In addition, this proposal would provide assistance to parents who care for their infants themselves and would simplify eligibility by eliminating the household maintenance test.

Earned Income Tax Credit (EITC): The EITC, a refundable tax credit for low-income workers, has two broad goals: (1) to encourage families to move from welfare to work by making work pay; and (2) to reward work so parents who work full-time do not have to raise their children in poverty. In 1999, the EITC provided \$30.5 billion in credits for low-income tax filers, including spending on both tax refunds and reduced tax receipts. For every dollar that low-income workers

earn—up to certain limits—they receive between seven and 40 cents as a tax credit. In 1999, the EITC provided an average credit of nearly \$1,600 to 19 million workers and their families. In 2001, an estimated 19 million families will receive an average credit of \$1,680.

This budget includes a 10-year, \$23.6 billion proposal to expand the EITC to provide tax relief for 6.8 million working families by increasing the credit received by larger families, providing marriage penalty relief, and reducing marginal tax rates. This proposal would increase the maximum credit for families with three or more children by approximately \$500 in order to help roughly 2.1 million low- and moderate-income families. Approximately 5.4 million families with two or more children would also benefit from a slower phaseout rate, so parents could keep more of what they earn even as their earnings increase. The proposal would also provide marriage penalty relief for two-earner couples in the form of an average credit increase of \$250. In addition, the proposal would simplify the rules for counting non-taxable earned income. (For a more detailed description of the proposal, see Chapter 2, "Supporting Working Families.")

Unemployment Compensation

Unemployment Compensation, overseen by the Department of Labor's Employment and Training Administration, provides benefits to individuals who are temporarily out of work through no fault of their own and whose employer has previously paid payroll taxes to the program. The State payroll taxes finance the basic benefits out of a dedicated trust fund. States set benefit levels and eligibility criteria; benefits are not means-tested and are taxable. Regular benefits are typically available for up to 26 weeks of unemployment. In 1999, about 7.2 million persons claimed unemployment benefits that averaged \$202 weekly. In 2001, an estimated 7.8 million persons will receive an average benefit of \$219 a week.

- In 2001, DOL's goal is that all States will meet the Secretary's standard for promptness in paying worker claims by providing 92 percent of initial intrastate payments

and 81 percent of interstate payments within 14 days in States with a waiting period and within 21 days in States without a waiting period. In 1999, 90 percent of States met the intrastate standard and 78 percent met the interstate standard.

Effects of Income Security Programs

Federal safety net programs have a major effect on reducing poverty. Chapter 24, "Social Security," explores the impact of Social Security alone on the income and poverty of the elderly. This section looks at the cumulative impact across the major programs.

For purposes of this discussion, Government benefits includes both means-tested and social insurance benefits. Means-tested benefits include TANF, SSI, certain veterans pensions, Food Stamps, child nutrition meals subsidies, rental assistance, and State-funded general assistance. Medicare and Medicaid greatly help eligible families who need medical services during the year, but experts do not agree about how to value Medicare or Medicaid coverage as additional income to beneficiaries. Consequently, those benefits are not included in the analysis that follows. Social insurance benefits include Social Security, railroad retirement, veterans compensation, unemployment compensation, Pell Grants, and workers' compensation. The definition of income for this discussion (cash and in-kind benefits), and the notion of pre- and post-Government transfers, do not match the Census Bureau's definitions for developing official poverty statistics. Census counts income from cash alone, including Government transfers.

Reducing Numbers of People in Poverty: Based on special tabulations from the March 1999 Current Population Survey (CPS), 54.5 million people were poor in 1998 before accounting for the effect of Government programs. After accounting for Government transfer programs and taxes, the number of poor fell to 28.4 million, a drop of nearly 50 percent.

Reducing the Poverty Gap: The poverty gap is the amount by which the incomes of all poor people fall below the poverty line. Before counting Government benefits, the poverty gap was \$200 billion in 1998.

Benefits from Government programs cut it by \$134 billion, or 67 percent.

Employee Retirement Benefits

Railroad Retirement Benefits: The Railroad Retirement Board administers retirement, survivor, unemployment and sickness insurance benefits for qualified railroad workers and their families. In 1999, about \$8.2 billion in retirement-survivor benefits were paid to about 748,000 individuals, while about \$95 million in unemployment and sickness benefits, net of current-year recoveries, were paid to some 33,800 individuals. At the end of 1999, the average monthly benefit paid to a retired employee was \$1,344; the maximum biweekly rate for unemployment and sickness benefits was \$460.

Rail employment is not covered under the Social Security program, though some beneficiaries may have other employment that makes them eligible for benefits under the Social Security Old Age, Survivor and Disability Insurance programs. While the railroad retirement system has remained separate from the Social Security program, the two systems are similarly structured and closely coordinated with regard to earnings credits, benefit payments, and taxes. (For a discussion of the Social Security program, see Chapter 24, "Social Security.")

Federal Employee Retirement Benefits: The Civil Service Retirement and Disability Program provides a defined benefit pension for 1.9 million Federal civilian employees and 800,000 U.S. Postal Service employees. In 1999, the program paid \$44 billion in benefits to 1.7 million retirees and 630,000 survivors. Along with the defined benefit, employees can participate in a defined contribution plan—the Thrift Savings Plan (TSP). Employees hired since 1983 are also covered by Social Security. The budget proposes to repeal the higher employee retirement contributions required by the Balanced Budget Act of 1997, and again proposes to allow Federal employees to participate immediately in, and to roll over private sector accounts into, the TSP.

- From 1993 to 1999, customer service and satisfaction with the retirement program have improved significantly. For example,

average processing times have been cut from nine days to three days for interim annuity payments, from 51 days to 32 days for CSRS final annuity payments, and from 31 days to 14 days for CSRS survivor annuity payments. Annuitant satisfaction with various services has improved from the 70 to 80 percent range to nearly 90 percent or greater. The goal is to maintain or improve each of these performance goals in 2001.

Private Pensions: The Department of Labor's Pension and Welfare Benefits Administration (PWBA) establishes and enforces safeguards to protect the roughly \$4.3 trillion in pension assets. Private pension plans currently list more than 91 million participants, including both workers and retirees. Also at the Department of Labor, the Pension Benefit Guaranty Corporation (PBGC) protects the pension benefits of about 42 million workers and retirees who earn traditional (i.e., "defined benefit") pensions. Through its early warning program, PBGC also works with solvent companies to more fully fund their pension promises, and has protected the benefits of more than two million people since its inception eight years ago. The budget proposes a new, simplified defined benefit plan for small businesses that PBGC will insure. The budget also proposes an initiative whereby PWBA will intercede to protect pension benefits for employees whose employers file for bankruptcy. In 2001:

- PWBA will recover more benefits through customer assistance—an estimated \$54

million compared to \$15 million in 1995. Also, PWBA will more speedily process the exemptions that allow certain financial transactions that are needed by pension plans, reducing the time taken to 200 days, a 17-percent improvement from the 1999 average of 242 days.

- PBGC will more quickly complete setting dollar levels for benefits in the pension plans it takes over. These benefits must be calculated differently for different former employees. (Retirees receive an estimated amount until the process is complete.) The time taken for final calculation will drop to between three and four years, down from an average of six years in 1997.

Tax Treatment of Retirement Savings: The Federal Government encourages retirement savings by providing income tax benefits. Generally, earnings devoted to workplace pension plans and to many traditional individual retirement accounts (IRAs) receive beneficial tax treatment in the year earned and ordinarily are taxed only in retirement, when lower tax rates usually prevail. Moreover, taxpayers can defer taxes on the interest and other gains that add value to these retirement accounts. For the newer Roth IRA accounts, contributions are made from after-tax earnings, with no tax deduction. However, account earnings are free from tax when the account is used in retirement. All the pension and retirement-saving tax incentives amount to \$115 billion in 2001—decidedly the largest set of preferences in the income tax system.

24. SOCIAL SECURITY

Table 24-1. Federal Resources in Support of Social Security

(In millions of dollars)

Function 650	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	3,156	3,175	3,451	3,452	3,492	3,580	3,658
Mandatory Outlays:							
Existing law	386,991	403,332	422,167	442,982	465,299	489,685	516,232
Proposed legislation				64	113	144	153
Tax Expenditures:							
Existing law	23,300	24,505	25,765	27,295	28,990	30,760	23,290

The Old-Age, Survivors, and Disability Insurance (OASDI) programs, commonly known as Social Security, are crucial to the economic well-being of tens of millions of Americans. Social Security will spend \$426 billion in 2001 to provide 45 million beneficiaries with comprehensive protection against loss of income due to the retirement, disability or death of a wage earner.

Social Security provides monthly benefits to retired and disabled workers who gain insured status and to their eligible spouses, children, and survivors. The Social Security Act of 1935 provided retirement benefits, and the 1939 amendments provided benefits for survivors and dependents. These benefits now comprise the Old Age and Survivors Insurance (OASI) program. Congress provided benefits for disabled workers by enacting the Disability Insurance (DI) program in 1956 and added benefits for the dependents of disabled workers in 1958. Nearly one third of Social Security beneficiaries are disabled workers and their families, or survivors of deceased workers (see Table 24-2).

DI provides income security for workers and their families when workers lose their capacity to work due to disability. Before DI, workers often had no such protection, although in some cases employees whose injuries were job-related may have received

State worker's compensation benefits. Congress enacted DI to protect the resources, self-reliance, and self-respect of those suffering from non-work-related disabilities. DI protection can be extremely valuable, especially for young families who are unable to sufficiently protect themselves against the risk of the worker's disability.

The Government will collect \$508 billion in Social Security taxes in 2001. These taxes will be credited to the OASI and DI trust funds, along with \$68 billion of interest on Treasury securities held by the trust funds.

In 1999, Social Security paid out a total of \$383 billion to more than 44 million beneficiaries. These payments included \$257 billion in benefits to 31 million retired workers and their families and about \$75 billion in benefits to seven million survivors of deceased workers. Through the DI program, Social Security paid \$50 billion in benefits to more than six million disabled workers and their families.

Many beneficiaries would face a high risk of poverty without the income protection provided by Social Security. When President Roosevelt signed Social Security into law, most seniors were poor. Since then, Social Security benefits have significantly improved the well-being of the Nation. The poverty

Table 24-2. Millions Benefit from Social Security
(Thousands of OASDI Beneficiaries)

	2001 Estimate
Retired workers and families:	
Retired workers	28,174
Wives and husbands	2,797
Children	442
Survivors of deceased workers:	
Children	1,899
Widowed mothers and fathers with child beneficiaries in their care	202
Aged widows and widowers, and dependent parents	4,799
Disabled widows and widowers	194
Disabled workers and families:	
Disabled workers	5,158
Wives and husbands	172
Children	1,496
Total	45,333

rate among the elderly declined from 29.5 percent in 1967 to 10.5 percent in 1998, in large part due to Social Security.

Social Security was founded on two important principles: social adequacy and individual equity. Social adequacy means that benefits will provide a certain standard of living for all contributors. Individual equity means that contributors receive benefits directly related to the amount of their contributions. These principles still guide Social Security today.

Before Social Security, about half of those over 65 depended on others, primarily relatives and friends, for all of their income. The same was often true for people with disabilities. Today, nearly two thirds of those over age 65 get at least half of their income from Social Security (see Chart 24-1). Social Security benefits account for 38 percent of all income that goes to the elderly population. For an average-wage worker retiring in 1999, Social Security replaced about 40 percent of his or her pre-retirement earnings. With Social Security, the vast majority of those over age 65 and those with disabilities can live relatively independent lives. Moreover, their families no longer carry the sole responsibility of providing their financial support.

Social Security is especially important for women, who make up nearly 60 percent

of all Social Security beneficiaries, and 72 percent of all beneficiaries over age 85. Many women beneficiaries are entitled as spouses of retirees or survivors of deceased workers. Social Security plays a larger role in women's retirement income than men's in part because women live longer on average, and the inflation-indexing of Social Security benefits protects their buying power over time. Women also tend to have lower lifetime earnings than men, and the progressive nature of the Social Security benefit formula enhances the role of these benefits in women's retirement income. Finally, women are less likely than men to retire with private pensions. While the differences between men's and women's work patterns and earnings are expected to shrink in the next few decades, they are not expected to disappear entirely. For all of these reasons, Social Security makes up a larger share of retirement income for women than it does for men, and women are more likely to rely on Social Security for all of their retirement income (see Table 24-3).

The Long-Range Challenge

Social Security is designed to be self-financed; its most important revenue source is the payroll tax. Right now, the Social Security trust funds are expected to run a cash surplus until 2014. Current economic and demographic forecasts indicate, however,

Chart 24-1. Share of OASI Beneficiaries Who Relied on Social Security for a Given Portion of Their Income, 1998

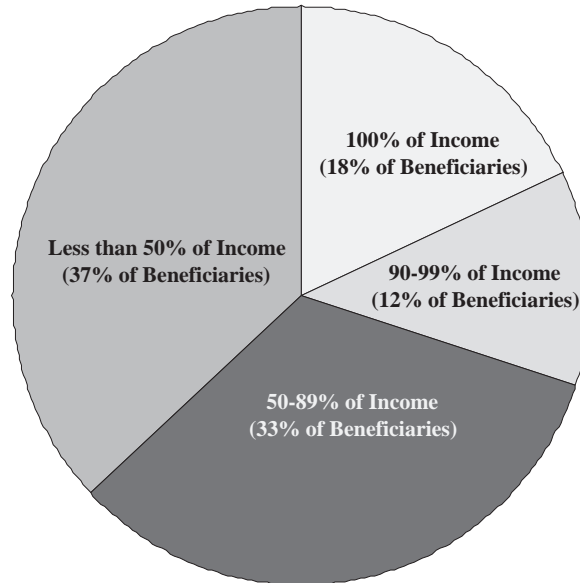


Table 24-3. Social Security is Crucial to Retirement Income

(Percentage of those over age 65 who relied on Social Security for their entire income, 1996)

	Social Security is sole income source
Unmarried women	25%
Unmarried men	20%
Married couples	9%

that cash revenues will fall short of expenditures after that time, and the trust funds will exhaust their assets in 2034 unless corrective action is taken. After 2034, payroll taxes are projected to cover 71 percent of benefits. Social Security is largely “pay-as-you-go,” meaning current retirement benefits are financed by current payroll contributions. However, pressure on the financing system is growing due to two demographic factors: members of the baby boom and subsequent generations are having fewer children and

are predicted to have longer life spans than previous generations. The consequence of these trends is that the ratio of workers paying into the system for each beneficiary will decline—from 3.4 workers per beneficiary in 2000 to a projected two workers per beneficiary in 2034 (see Chart 24-2). Another source of pressure on the trust funds is the rapid growth of the DI program, which is expected to accelerate as baby boomers reach the age at which they are increasingly prone to disabilities.

The President proposes to ensure the long-range viability of Social Security through a combination of bipartisan reforms and by transferring new resources to the Social Security trust funds. For further discussion of the long-range issues facing Social Security and the President’s plan for addressing them, see Section III, “Sustaining Our Economic Prosperity.”

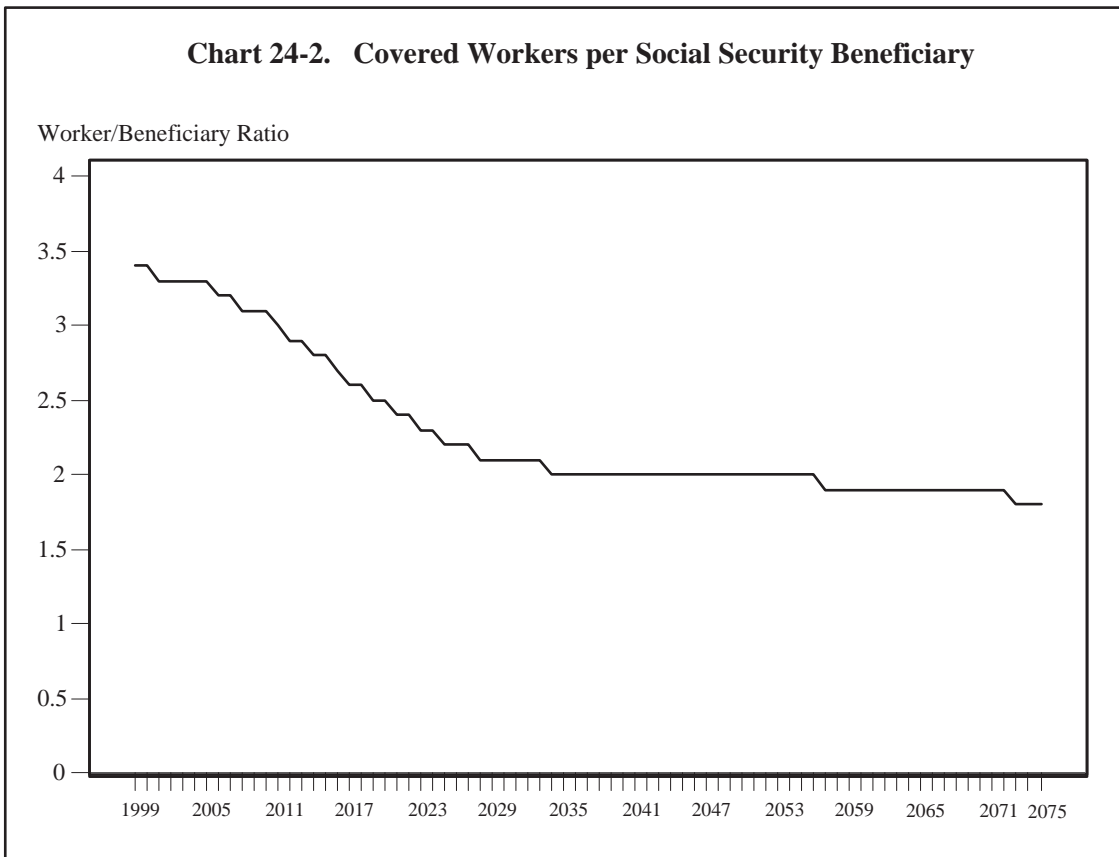
Social Security Administration (SSA)

To operate a program of this magnitude, both in terms of the dollar amounts involved and the size of the population served, requires an efficient and responsive administrative structure. SSA, which administers the OASI and DI programs, touches the lives of millions of Americans every year. SSA also runs the Supplemental Security Income (SSI) program for low-income aged and disabled individuals, which is part of the Income Security function (see Chapter 23). In addition, the agency provides services that support the

Medicare program on behalf of the Health Care Financing Administration, which is part of the Medicare function (see Chapter 22).

SSA undertakes a variety of activities in administering its programs. These activities include issuing Social Security numbers, maintaining earnings records for wage earners and self-employed individuals, taking claims for benefits and determining eligibility, updating beneficiary eligibility information, educating the public about the programs, combating fraud, and conducting research, policy analysis and program evaluation. These activities are largely integrated across the various programs, allowing the agency to minimize duplication of effort and provide one-stop service to customers. SSA has also undertaken significant automation initiatives, which has enabled the agency to handle growing workloads even as its full-time equivalent staff declined by 19,000 between 1983 and 2000.

Chart 24-2. Covered Workers per Social Security Beneficiary



SSA has consistently earned high marks for management of its programs. In 1999, SSA earned an overall “A” grade in a comprehensive study of government management conducted by the Maxwell School of Citizenship and Public Affairs at Syracuse University and *Government Executive* magazine. The study graded all 50 State governments and 15 Federal agencies on the management systems critical to effective public service. SSA was awarded the highest marks among Federal agencies surveyed.

SSA’s Performance Plan for 2001 includes a number of performance indicators that reflect the agency’s goals of responsive programs, good customer service, efficiency and program integrity, and strengthening public understanding of Social Security. Like the agency’s administrative activities, these goals cut across programs. SSA’s broad goals and related performance measures for 2001 are described below.

Promoting responsive programs: SSA recognizes that its programs must reflect the interests of beneficiaries and society as a whole. Programs must evolve to reflect changes in the economy, demographics, technology, medicine, and other areas. Many DI and SSI beneficiaries with disabilities, for example, want to be independent and work. Many of them can work, despite their impairments, if they receive the support they need. Yet less than one percent of disabled beneficiaries in any given year actually leave SSA’s programs due to work. One of SSA’s strategic objectives is to shape the disability program in a manner that increases self-sufficiency.

- In 2001, the number of DI beneficiaries entering a trial work period will increase to 19,200, which is 20 percent more than the 1997 baseline of 16,000.

Last year, the President’s budget included, and Congress enacted, the Ticket to Work and Work Incentives Improvement Act to help disabled beneficiaries enter or re-enter the workforce. This new law expands beneficiaries’ choice of employment service providers, allows persons with disabilities to keep or obtain Federal health benefits when they enter, re-enter, or remain in the workforce, and authorizes SSA to carry out demonstration projects to identify effective ways

to help DI beneficiaries return to work. SSA began implementation of the new law in 2000, and the budget includes funding to continue and build on these activities in 2001.

Improving customer service delivery:

Roughly three-quarters of SSA’s total administrative budget is devoted to the day-to-day work generated by requests for service from the general public. Much of this work takes the form of determining eligibility for benefits. The time required to process benefit claims is affected by the design of the eligibility determination procedure, as well as by the level of resources earmarked for claims-processing activities and the number of claims received.

- In 2001, the average processing time for initial disability claims will be 117 days, an increase from an estimated 104 days in 1999.

Improving SSA’s disability claims process is one of the Administration’s Priority Management Objectives for 2001. SSA is operating a streamlined disability eligibility determination process on a prototype basis in 10 States. In the prototype, SSA eliminated a repetitive second step in the process and used the resulting administrative savings to improve the initial step of the process.

While initial claims are expected to take a little longer in the new process, the elimination of the second step will substantially shorten the overall process for most claimants. The accuracy rate of initial decisions is also expected to improve. SSA’s Office of Hearings and Appeals is also implementing changes to improve efficiency and reduce case processing times.

- In 2001, the average processing time for all types of hearings will be 208 days, down from 316 days in 1999.

In combination, the changes at the initial and hearings stages are expected to improve service and decision accuracy, and reduce overall processing times for disability claimants. Because the new disability claims process will not be fully implemented in 2001, further improvements in agency performance are expected in future years.

- SSA will maintain its current performance level of processing 83 percent of OASI claims by the time the first regular payment is due or within 14 days from the effective filing date, if later.
- SSA will ensure that callers gain access to the toll-free 800 number within five minutes of their first call 92 percent of the time, which is equivalent to the projected access rate for 2000.

Increasing operational efficiency and program integrity: The budget includes approximately \$1.7 billion for activities undertaken by SSA to ensure the integrity of records and payments. These activities include reviewing claimants' eligibility for continued benefits, collecting debt, detecting overpayments, and investigating and deterring fraud.

- In 2001, SSA will maintain its current performance level of a 99.8 percent accuracy rate for OASI payments.

SSA is in the midst of a seven-year plan to eliminate the backlog of Continuing Disability Reviews (CDRs) that built up prior to 1996. SSA expects to complete 63 percent of its plan by the end of 2000. This concentrated effort helps increase public confidence in the integrity of SSA's disability programs by ensuring that only people who continue to be disabled receive benefits. Over the life of the plan, SSA expects to realize program savings of about \$6 for each \$1

spent conducting CDRs. The budget includes the funds necessary to keep the plan on schedule.

- By the end of 2001, SSA will have completed 83 percent of its plan for eliminating the backlog of Continuing Disability Reviews. SSA expects to eliminate the backlog entirely in 2002.

Strengthening public understanding of Social Security programs: The budget includes more than \$100 million for the development, production and distribution of products to educate the public about Social Security benefits and Social Security's larger impact on society. SSA conducts an annual survey to measure public understanding of Social Security programs and issues and undertakes a variety of activities to increase public awareness.

- In 2001, 70 percent of the public will be knowledgeable about Social Security programs, an increase of 15 percentage points above the 1999 baseline of 55 percent.

Tax Expenditures

Social Security recipients pay taxes on their Social Security benefits only when their overall income, including Social Security, exceeds certain income thresholds. The exclusion of Social Security income below these thresholds reduces total income tax revenue by \$26 billion in 2001 and \$136 billion from 2001 through 2005.

25. VETERANS BENEFITS AND SERVICES

Table 25-1. Federal Resources in Support of Veterans Benefits and Services

(In millions of dollars)

Function 700	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ¹	19,261	20,913	22,061	22,061	22,328	22,878	23,382
Mandatory Outlays:							
Existing law	23,838	25,075	25,589	26,292	27,641	28,395	30,989
Proposed legislation		1,800	-1,484	772	1,020	1,490	1,951
Credit Activity:							
Direct loan disbursements	1,660	2,003	659	N/A	N/A	N/A	N/A
Guaranteed loans	43,091	32,136	29,548	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	3,120	3,265	3,405	3,545	3,710	3,880	4,065

N/A = Not available.

¹VA's total available discretionary resources for 2001 will be \$380 million higher than shown because of discretionary changes in mandatory accounts.

The Federal Government provides benefits and services to veterans and their survivors of conflicts as long ago as the Spanish-American War recognizing the sacrifices of war- and peacetime veterans during military service. The Federal Government spends over \$46 billion a year on veterans benefits and services, including medical care to low-income and disabled veterans and education and training for veterans reentering civilian life. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors, and over \$3 billion in tax benefits to compensate veterans and their survivors for service-related disabilities.

About seven percent of veterans are military retirees who can receive either military retirement from the Department of Defense (DOD) or veterans benefits from the Department of Veterans Affairs (VA). Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill (MGIB) program for education benefits that are paid later. VA employs 21 percent of the Federal Government's non-DOD work force—approximately

220,000 people, about 195,000 of whom deliver or support medical services to veterans.

VA's mission is "to administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans. To serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare and dignity of all veterans in recognition of their service to this Nation."

The veteran population continues to decline and age (see Chart 25-1). The types of benefits and services needed by veterans likely will change as the population ages. Further, as the veteran population shrinks and technology improves, access to, and the quality of service should continue to improve.

Medical Care

VA provides health care services to 3.3 million veterans through its national system of 22 integrated health networks, consisting

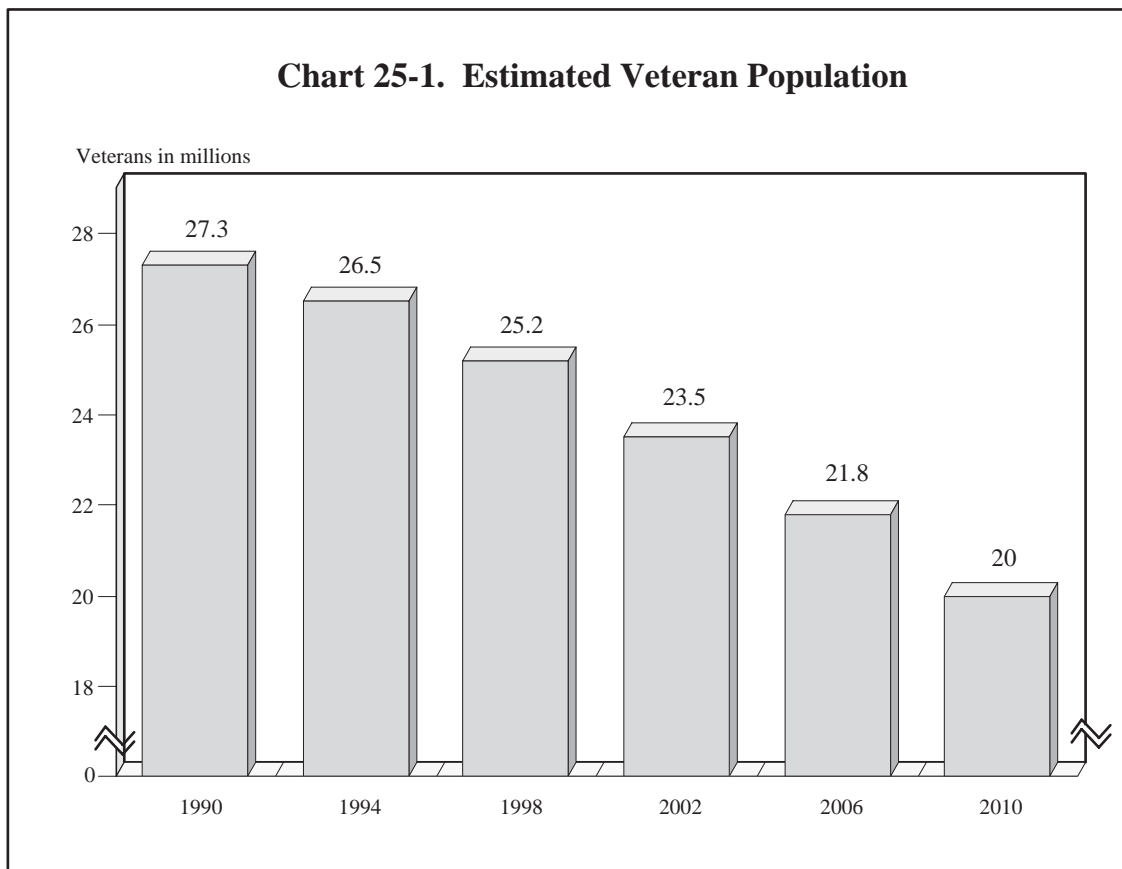
of 172 hospitals, 691 ambulatory clinics, 140 nursing homes, 87 domiciliaries, and 206 vet centers. VA is an important part of the Nation's social safety net because almost half of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries because private insurance usually does not fully cover these conditions.

Millennium Act

The President signed the Veterans Millennium Health Care and Benefits Act (Public Law. 106-117) on November 30, 1999. This comprehensive legislation improves a broad array of health services for our Nation's veterans. It firmly establishes a high priority for nursing home care to the most severely disabled veterans and those needing nursing home care for a service-connected disability, and enhances VA's home and community

based extended care programs. The legislation authorizes VA to reimburse certain veterans as payor of last resort for emergency care, expands programs for homeless veterans and sexual trauma counseling, expands enhanced-use leasing authority, and enhances other VA medical programs.

VA's core mission is to meet the health care needs of veterans who have compensable service-connected injuries or very low incomes. By law, these core veterans are the highest priority for available Federal dollars for health care. VA may provide care to lower-priority veterans if resources allow after it meets the needs of higher-priority veterans. Since 1997, VA has pursued its "30/20/10" goal to reduce the cost per patient (inflation adjusted) by 30 percent from the 1997 level of \$5,458; to increase the number of patients treated by 20 percent from the 1997 level of 3,142,075; and, to increase resources from outside sources to 10 percent of the total



operating budget from less than one percent in 1997.

In recent years, VA has reorganized its field facilities from 172 largely independent medical centers into 22 Veterans Integrated Service Networks (VISNs), charged with providing veterans the full continuum of care. Recent legislation eased restrictions on VA's ability to contract for care and share resources with DOD hospitals, State facilities, and local health care providers.

Veterans Health Administration

VA's efforts in reengineering its health care program have resulted in significant reductions in the cost per patient treated over the last five years (1994–1999) while quality of care increased. Reengineering efforts within the Veterans Health Administration (VHA) included restructuring veterans' health care (to include the organizational, financial and management change associated with the VISNs), shifting care to more appropriate care settings (with an emphasis on primary care) and implementing clinical and administrative efficiencies including consolidations and integrations. More specifically, since 1993/1994:

- patients treated per year increased by over 29 percent (from 2.8 to 3.6 million—includes veterans and non-veterans). Further, 83 percent more homeless patients were treated in 1999 compared to 1993;
- annual inpatient admissions decreased 35 percent (317,688 fewer admissions) by 1999 while ambulatory care visits increased by 50 percent to 37.7 million (12.6 million increase);
- approximately 1,300 sites of care delivery have been organized under 22 Veterans Integrated Service Networks; and,
- over 250 new community-based outpatient clinics have been established.

Because of VHA's increased emphasis on service delivery and access, the following specific performance goals have been developed:

- Increase the percentage of patients who receive an initial or first-time appointment with their primary care or other appropriate provider within 30 days (baseline will be 2000; strategic goal is 95 percent).
- Increase the percentage of patients who receive a specialty appointment when referred by a primary care provider within 30 days (baseline will be 2000; strategic goal is 95 percent).
- Increase the percentage of patients who are seen within 20 minutes of their scheduled appointment to 79 percent in 2001 from a 1997 baseline of 55 percent (to 75 percent in 2000; strategic goal is 90 percent).

Also, VA formed partnerships with the National Committee on Quality Assurance, the American Hospital Association, the American Medical Association, the American Nurses Association, and other national associations to ensure quality patient care. The Chronic Disease Care Index measures VA physicians' adherence to established industry practice guidelines for key diseases affecting veterans. Similarly, the Prevention Index measures adherence to disease prevention and screening guidelines. VA plans to:

- increase the scores on the Chronic Disease Care Index to 95 percent by 2001 from the 1997 level of 76 percent; and,
- increase the scores on the Prevention Index to 90 percent by 2001 from the 1997 level of 67 percent.

Medical Research: VA's research program provides \$321 million to conduct basic, clinical, epidemiological, and behavioral studies across the spectrum of scientific disciplines, seeking to improve veterans medical care and health and enhance our knowledge of disease and disability. If all funding sources are included, VA spends more than \$1 billion on research. In 2001, VA will focus its research efforts on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma-related impairment, health systems research, special populations (including Persian Gulf War veterans), and military occupational and environmental exposures.

- In 2001, VA will maintain its standard that at least 99 percent of funded research projects will be reviewed by appropriate peers and selected through a merit-based competitive process.

Health Care Education and Training:

The Veterans Health Administration (VHA) is the Nation's largest trainer of health care professionals. About 91,000 students and residents a year get some or all of their training in VA facilities through affiliations with over 1,200 educational institutions. The program trains medical, dental, nursing, and related health professionals to ensure an adequate supply of clinical care providers for veterans and the Nation. The program will continue to realign its academic training and update its curriculum, focusing more on primary care to meet more effectively the needs of the VHA and its patients, students, and academic partners.

- By 2001, 48 percent of VA's residents will be trained in primary care from the 1997 level of 39 percent.

Veterans Benefits Administration (VBA)

VBA processes veterans' claims for benefits in 58 regional offices across the country. As the veteran population declines, generally the number of new compensation and pension claims and appeals from veterans is expected to decline. VBA anticipates a slight increase in new claims from survivors and claims for burial benefits. Since 1993, VBA has realigned 58 regional offices into nine service delivery networks. It has established nine Regional Loan Centers and four Regional Processing Offices for education claims in an effort to improve efficiency and quality of services to its customers. VBA has also taken steps to integrate information technology into claims processing to improve timeliness and quality of service delivery. It has also implemented a "balanced scorecard," a tool that has helped management to weigh the importance of and measure progress toward meeting VBA's strategic goals, which include:

- improving responsiveness to customers' needs and expectations;

- improving service delivery and benefit claims processing; and,
- ensuring best value for the available taxpayers' dollar.

VBA monitors its performance in deciding disability benefits claims through measures of accuracy, customer satisfaction, processing timeliness, and unit cost. The following key measures have been established for disability claims requiring a rating:

- In 2001, VA will process rating-related disability claims in 142 days (from 166 days in 1999; strategic goal is 74 days).
- In 2001, VA will improve its rating accuracy (for core rating work) to 85 percent (from 68 percent in 1999; strategic goal is 96 percent).

Income Security

Several VA programs help veterans and their survivors maintain their income when the veteran is disabled or deceased. The Federal Government will spend over \$23 billion for these programs in 2001, including the funds the Congress approves each year to subsidize life insurance for veterans who are too disabled to get affordable coverage from private insurers. Veterans may receive these benefits in addition to the income security benefits available to all Americans, such as Social Security and unemployment insurance. VBA is developing outcome goals for the compensation and pension programs.

Compensation: Veterans with disabilities resulting from, or coincident with, military service receive monthly compensation payments based on the degree of disability. The payment does not depend on a veteran's income or age or whether the disability is the result of combat or a natural-life affliction. It does depend, however, on the average fall in earnings capacity that the Government presumes for veterans with the same degree of disability. Survivors of veterans who die from service-connected injuries receive payments in the form of dependency and indemnity compensation. Compensation benefits are indexed annually by the same cost-of-living adjustment (COLA) as Social Security, which is an estimated 2.5 percent for 2001.

The number of veterans and survivors receiving compensation benefits will total an estimated 2.6 million in 2001. While the veteran population will decline, the compensation caseload is expected to remain relatively constant due to changes in eligibility and better outreach efforts. COLAs and increased payments to aging veterans will increase compensation spending by about \$3 billion from 2001 to 2005.

Pensions: The Government provides pensions to lower-income, wartime-service veterans or veterans who became permanently and totally disabled after their military service. Survivors of wartime-service veterans may qualify for pension benefits based on financial need. Veterans pensions, which also increase annually with COLAs, will cost over \$3 billion in 2001. The number of pension cases will continue to fall from an estimated 616,000 in 2001 to less than 555,000 in 2005 as the number of veterans declines.

Insurance: VA has provided life insurance coverage to service members and veterans since 1917 and now directly administers or supervises eight distinct programs. Six of the programs are self-supporting, with the costs covered by policyholders' premium payments and earnings from Treasury securities investments. The other two programs, designed for service-disabled veterans, require annual congressional appropriations to meet the claims costs. Together, these eight programs will provide \$447 billion in insurance coverage to over 4.4 million veterans and service members in 2001. The program provides insurance protection to veterans who cannot purchase commercial policies at standard rates because of their service-connected disabilities. The program is designed to provide disbursements (e.g., death claims, policy loans, and cash surrenders) quickly and accurately, meeting or exceeding customers' expectations.

Veterans' Education, Training, and Rehabilitation

Several Federal programs support job training and finance education for veterans and others. The Department of Labor runs several programs for veterans. In addition, several VA programs provide education, training, and rehabilitation benefits to veterans and military

personnel who meet specific criteria. These programs include the Montgomery GI bill—which is the largest—the post-Vietnam-era education program, the Vocational Rehabilitation and Employment (VR&E) program, and the Work-Study program. Spending for all these VA programs will total an estimated \$1.7 billion in 2001. One of the program's goals is:

- In 2001, VA will increase to 70 percent the number of VR&E participants who acquire and maintain suitable employment and are considered to be rehabilitated (from the 1999 level of 53 percent; strategic goal of 70 percent will be achieved in 2001).

The Montgomery GI Bill (MGIB): The Government originally created MGIB as a test program, with more generous benefits than the post-Vietnam-era education program, to help veterans move to civilian life and to help the Armed Forces with recruitment. Service members who choose to enter the program have their pay reduced by \$100 a month in their first year of military service. VA administers the program and pays basic benefits once the service member becomes eligible. Basic benefits available now total over \$19,000 per recipient.

MGIB beneficiaries receive a monthly check based on whether they are enrolled as full- or part-time students. They can get 36 months worth of payments, but they must certify monthly that they are in school. DOD may provide additional benefits to help recruit certain specialties and critical skills. Nearly 310,000 veterans and service members will use these benefits in 2001. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and VA administers the program. In 2001, over 70,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university. VA has set the following goal:

- In 2001, VA will increase the usage rate of eligible veterans in the MGIB to 60 percent (from 53 percent in 1997; strategic goal is 70 percent).

Veterans' Housing

- In 2001, VA will guarantee an estimated 250,000 loans totaling \$29.5 billion. Approximately 80 percent of these loans will have no downpayment, with over half going to first-time homebuyers. The Federal Government will spend an estimated \$332 million in 2001 on this program. This represents the subsidy necessary to help offset costs due to foreclosures, as well as administrative expenses.

Avoiding foreclosure is critical to VA and veterans. VA's goal is to reduce the likelihood of foreclosure through aggressive intervention actions when loans are referred to VA as a result of three payments in default. Costs to the government are reduced when VA is able to pursue an alternative to foreclosure. Veterans are helped either by saving their home or avoiding the expense and damage to their credit rating caused by foreclosure.

- In 2001, of the loans headed for foreclosure, VA will be successful 40 percent of the time in ensuring that veterans retain their homes (from the 1998 level of 37 percent). (See Chapter 17, Commerce and Housing Credit for more information on mortgage credit).

As part of a continuing effort to reduce administrative costs, in addition to restructuring and consolidations, VA is conducting a study of the property management function to determine whether it would be more cost effective to contract this activity. The study will be complete at the end of fiscal year 2000.

National Cemetery Administration (NCA)

VA provides burial in its national cemetery system for eligible veterans, active duty military personnel, and their dependents. VA manages 119 national cemeteries across the country and will spend over \$110 million in 2001 for VA cemetery operations, excluding

reimbursements from other accounts. Over 77,700 veterans and their family members were buried in national cemeteries in 1998. In addition, VA has jointly funded 45 State veterans cemeteries through its State Cemetery Grants Program (SCGP). In 1999, VA provided 345,389 headstones and markers for eligible veterans, who were buried in national, state, and private cemeteries. Since 1993, NCA has expanded service by opening three new national cemeteries, providing grants to states to build 14 new state veteran cemeteries, and acquiring 3,000 acres of land to meet burial demands. In addition, NCA improved service by installing 14 information kiosks and by encouraging non-VA national and state veterans cemeteries to place headstone orders on-line. VA has established this measure:

- In 2001, VA will increase the percentage of veterans served by a burial option within a reasonable distance of the veteran's place of residence to 76 percent (from the 1999 level of 67 percent; strategic goal is 82 percent).

Related Programs

Many veterans get help from other Federal income security, health, housing credit, education, training, employment, and social service programs that are available to the general population. A number of these programs have components specifically designed for veterans. Some veterans also receive preference for Federal jobs.

Tax Incentives

Along with direct Federal funding, certain tax benefits help veterans. The law keeps all cash benefits that VA administers (i.e., disability compensation, pension, and MGIB benefits) free from tax. Together, these three exclusions will cost about \$3.4 billion in 2001, and about \$18 billion between 2001 and 2005.

26. ADMINISTRATION OF JUSTICE

Table 26-1. Federal Resources in Support of Administration of Justice
(In millions of dollars)

Function 750	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	26,488	26,648	29,000	29,956	30,121	30,291	30,938
Mandatory Outlays:							
Existing law	937	1,491	1,504	794	657	2,111	2,169
Proposed legislation						-1,460	-1,524

In 2001, the Federal Government will spend \$29 billion on the administration of justice—including law enforcement, litigation, judicial and correctional activities—doubling the amount spent in 1993. Total Federal, State, and local resources devoted to the administration of justice are estimated to grow from \$98 billion in 1993 to an estimated \$175 billion in 2001—a 79-percent increase (see Chart 26-1).

Representing the lowest annual serious crime count since 1985, the 1998 Crime Index total was estimated at approximately 12.5 million offenses. Down 14 percent from 1992, this total represented the seventh consecutive annual decline in the Crime Index. And continuing this success, the number reported in the first six months of 1999, the most recent period for which figures are available, was ten percent lower than in the same period in 1998.

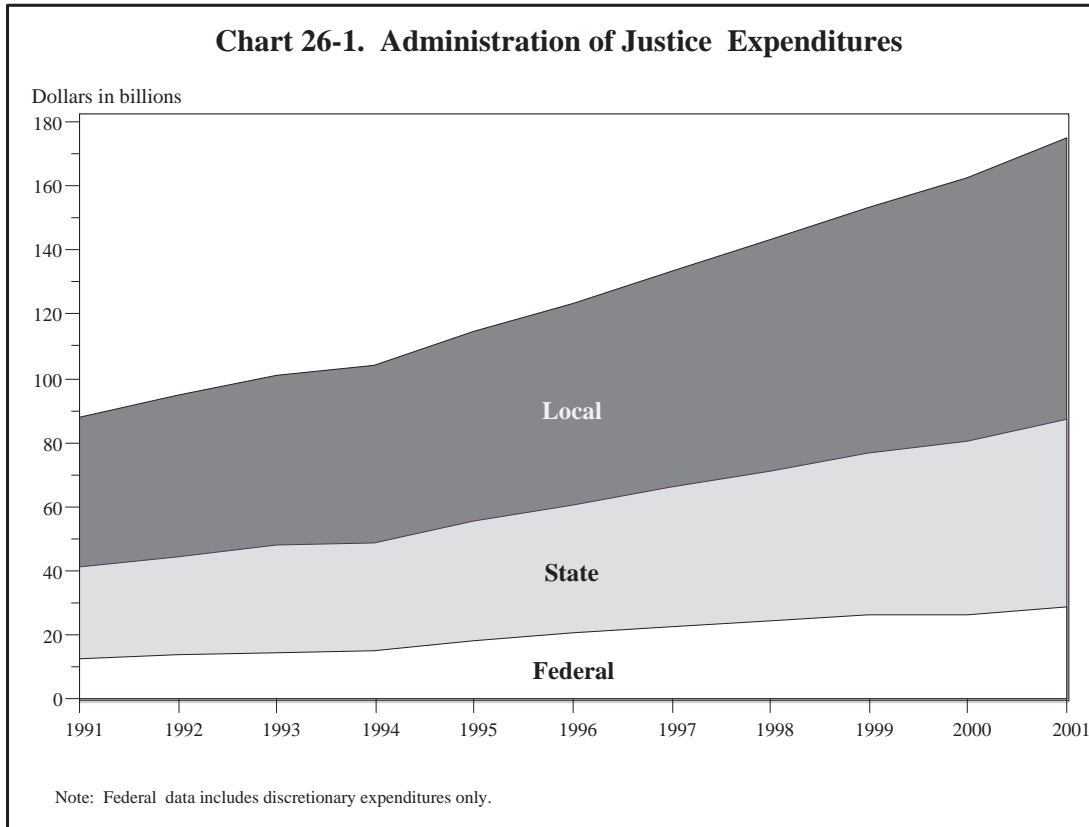
While States and localities bear most of the responsibility for fighting crime, the Federal Government plays a critical role, both in supporting State and local activities and investigating and prosecuting criminal acts that require a Federal response. Although crime is affected by varying factors, the fact that the national crime rate has dropped at the same time that Federal anti-crime spending has increased points to a causal relationship. The budget builds upon this

record by continuing to provide substantial funding for proven anti-crime programs.

Funding for the administration of justice function includes: (1) law enforcement, which includes investigation, litigation and judicial activities; (2) correctional activities; and, (3) assistance to State and local entities (see Chart 26-2). In 2001, 68 percent of these funds will go to the Justice Department while the majority of the remaining funds will go to the Treasury Department and the Judicial Branch.

Law Enforcement

Department of Justice (DOJ): Within DOJ, the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA) enforce diverse Federal laws dealing with violent crime, terrorism, white collar crime, drug smuggling, and many other criminal acts. These agencies also work with State and local law enforcement agencies, often through joint task forces, to address drug, gang, and other violent crime problems. The United States Attorneys Offices then prosecute those cases investigated by the law enforcement agencies in which perpetrators have been apprehended for Federal crimes. Along with prosecuting cases referred by Federal law enforcement agencies, the U.S. Attorneys work with State and local police and prosecutors in their efforts to bring to justice those who have violated Federal laws.



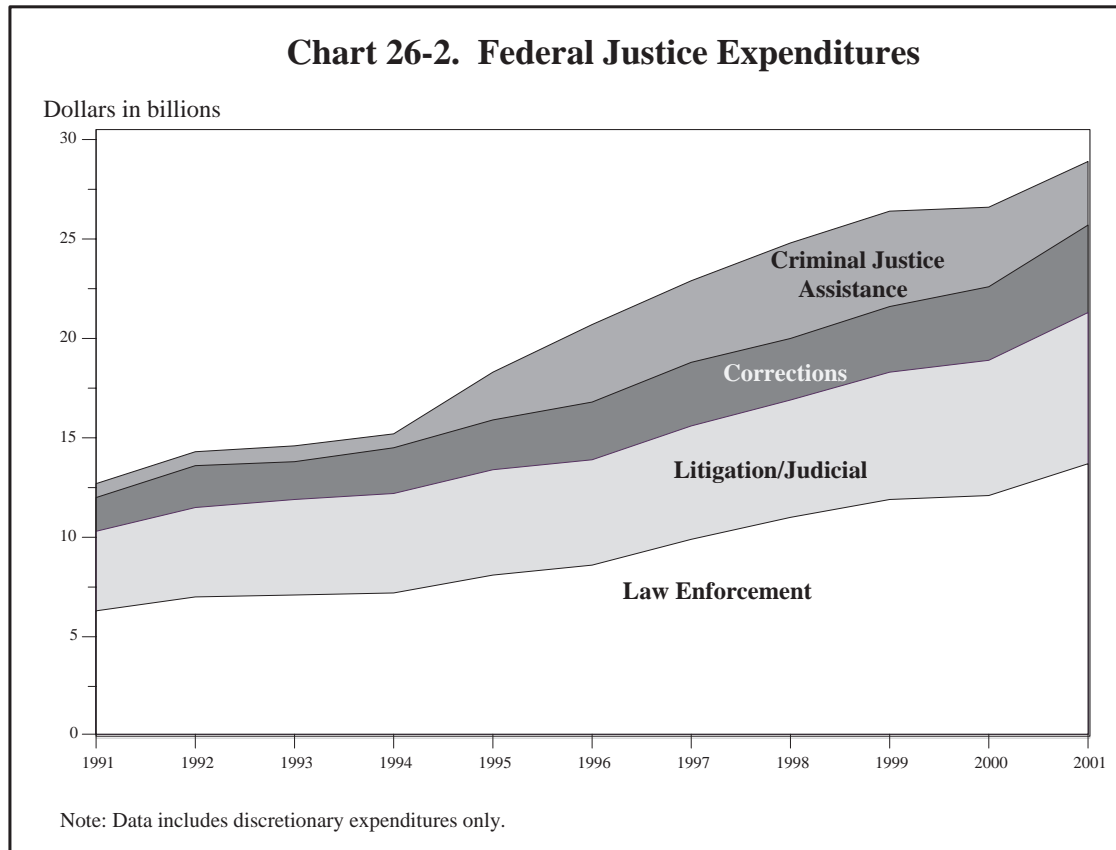
DOJ also contains six legal divisions specializing in specific areas of criminal and civil law. These divisions—the Civil, Criminal, Civil Rights, Environment and Natural Resources, Tax, and Antitrust Divisions—work with the U.S. Attorneys to ensure that violators of Federal laws are brought to justice.

- In 2001, the Federal Government will continue its commitment to reduce the incidence of violent crime. In 1994, the FBI reported 714 offenses per 100,000 population; in 1998, the number was down to 566 offenses per 100,000.
- DOJ will also increase the number of dismantled violent gangs affiliated with the FBI's seven national target groups. In 1999, DOJ dismantled 30 of these violent gangs and plans to dismantle 50 more in 2001.

DOJ's Immigration and Naturalization Service (INS) protects the U.S. borders from illegal immigration while providing services

to legal aliens. Since 1993, INS has added over 5,400 new Border Patrol agents, more than 130 percent of the 1993 level, and intends to add 430 additional agents in 2001.

- As part of its comprehensive enforcement strategy, INS removed 178,168 illegal aliens pursuant to final removal orders from the United States in 1999, up from 172,515 in 1998, and plans to increase that number to 195,000 in 2001, of which over 70,000 will be criminal aliens.
- DOJ, in conjunction with the Treasury and Agriculture Departments, plans to increase the percent of air passengers cleared through primary inspection in 30 minutes or less from 61 percent in 1998 to over 70 percent in 2001.
- INS has reduced the average time between application receipt and naturalization decisions of qualified candidates from 27 months in 1998 to 12 months in 1999 and



intends to reduce the time to six months in 2001 and maintain this standard in the future.

Within DOJ, the U.S. Marshals Service protects the Federal courts and their officers; apprehends fugitives; and maintains custody of prisoners involved in judicial proceedings.

- In 2001, the U.S. Marshals intends to continue to improve its performance, apprehending 80 percent of violent offenders within one year of a warrant's issuance, and reducing the fugitive backlog by five percent from 1999 levels. At the end of 1999, there were 8,642 outstanding fugitive warrants.
- In addition, the U.S. Marshals will strive to ensure that no judge, witness, or other court participant is the victim of an assault stemming from his or her involvement in a Federal court proceeding. This is an ongoing standard of zero tolerance related to court security.

Treasury Department: Within the Treasury Department, the U.S. Customs Service, Bureau of Alcohol, Tobacco and Firearms (ATF), United States Secret Service, and other bureaus enforce laws related to drug and contraband at our borders; commercial fraud; firearms trafficking; arson and explosives crimes; and financial crimes, including money laundering, counterfeiting, and credit card fraud. In addition, the Customs Service regulates the importation and exportation of goods; ATF regulates the alcohol, tobacco, firearms, and explosives industries; and, the Secret Service protects the President, Vice President, and visiting foreign dignitaries. The Federal Law Enforcement Training Center provides basic and advanced training to Treasury and other law enforcement personnel. In 2001, the Treasury Department will:

- help solve violent crimes and reduce firearms trafficking by tracing up to 240,000 firearms used in criminal activities, compared to 188,299 in 1998;

- ensure the physical protection of the President, Vice President, visiting foreign dignitaries, and others protected by the Secret Service;
- have at least 50 percent of Secret Service financial crime cases accepted for federal prosecution, up from 49 percent in 1996;
- maintain or improve upon its 99 percent collection rate for trade revenue (duties, taxes, and user fees); and,
- improve importers' compliance with trade laws (e.g., quotas, trademarks, classification, etc.) from 81 percent in 1997 to 90 percent in 2001.

Federal Drug Control Activities: The Office of National Drug Control Policy has led the Federal drug control agencies in the development of a comprehensive set of aggressive societal goals for anti-drug programs, recognizing that achieving National Drug Control Strategy Objectives depends critically on the actions of not only the Federal Government, but of State, local, and foreign governments, the private sector, religious institutions and not-for-profit agencies, and on the behavior of individuals. At the core of these crosscutting goals are 12 Impact Targets that define what the drug control community is trying to achieve by 2002 and 2007. Following are three of these goals for 2002:

- Reduce the overall rate of illegal drug use in the United States by 25 percent, from the 1996 baseline of 6.1 percent to 4.6 percent. In 1998, the overall rate of illegal drug use was 6.2 percent, statistically unchanged from the 6.4 percent reported in 1997.
- Reduce the rate of crime associated with drug trafficking and use by 15 percent from the 1996 baseline. (The rate of violent crime, regardless of cause, from the Uniform Crime Reports will be used as a proxy measure. In 1998, the violent crime rate was 566 per 100,000 U.S. inhabitants, compared to 636 in 1996, an 11 percent decline.)
- Reduce by 10 percent from the 1996 baseline the health and social costs associated with drug use.

Civil Rights Laws: Federal responsibility to enforce civil rights laws in employment and housing arises from Titles VII and VIII of the Civil Rights Act of 1964, as well as more recent legislation, including the Age Discrimination in Employment Act and the Americans with Disabilities Act. The Department of Housing and Urban Development (HUD) enforces laws that prohibit discrimination on the basis of race, color, sex, religion, disability, familial status, or national origin in the sale or rental, provision of brokerage services, or financing of housing. The Equal Employment Opportunity Commission enforces laws that prohibit employment discrimination on the basis of race, color, sex, religion, disability, age, and national origin. DOJ's Civil Rights Division and the U.S. Attorneys enforce a variety of criminal and civil statutes that protect the constitutional and statutory rights of the Nation's citizens. In 2001, DOJ will devote increased attention to criminal civil rights violations with the Civil Rights Division, FBI and U.S. Attorneys working to improve the Federal response to hate crimes, police misconduct and involuntary servitude matters, including worker exploitation, church arson and discrimination and violence directed against health care providers.

- In an effort to serve the public better, the Equal Employment Opportunity Commission will reduce the backlog of private sector complaints from 40,225 at the end of 1999 to 28,000 at the end of 2001. The backlog was reduced from 57,000 to 40,225 during 1999.
- In the final year of a three year initiative, HUD will ensure that grantees in an additional 20 communities (for a total of 60) undertake fair housing audit-based enforcement to develop local indices of discrimination, identify and pursue violations of fair housing laws, and promote new fair housing enforcement initiatives at the local level.

Legal Services Corporation: The Federal Government, through the Legal Services Corporation (LSC), also promotes equal access to the Nation's legal system by funding local organizations that provide legal assistance to the poor in civil cases.

- In 1998, LSC assisted 1.1 million people; the 2001 requested funding level will allow for assistance to be provided to 1.3 million people.

Judicial Branch: The Judiciary's growth in recent years arises from increased Federal enforcement efforts and expansion of the Federal courts' jurisdiction. Accounting for 14 percent of total administration of justice spending, the Judiciary comprises the Supreme Court and 12 circuit courts of appeals, 94 district courts, 90 bankruptcy courts, 94 Federal probation offices, the Court of Appeals for the Federal Circuit and the Court of International Trade. The Federal Judiciary is overseen by 2,201 Federal judges and nine Supreme Court justices.

Correctional Activities

The budget proposes \$4.4 billion for corrections activities. As of December 1999, there were over 136,000 inmates in the Federal Prison System, more than double the number in 1990. This growth, which is expected to continue, is due to tougher sentencing guidelines, the abolition of parole, minimum mandatory sentences, and significant increases in law enforcement spending. This increase has been felt most by drug offenders, who now account for approximately 60 percent of inmates in the Federal system. The total U.S. inmate population, of which the Federal Prison System represents less than one tenth, has increased as well and is expected to reach two million during 2000. State inmate populations have grown, in part, due to sentencing requirements tied to Federal prison grant funds.

- Due to the increase in the Federal inmate population, the prison system is currently operating at 32 percent over capacity, up from 22 percent at the end of 1997. To reverse this trend, the 2001 budget includes significant new funding to add prison bed capacity and expand the prison construction program, thus reducing system wide overcrowding to approximately 30 percent by the end of 2001 and to 28 percent by 2006.

- The 2001 budget also provides additional funding to ensure the Federal Bureau of Prisons continues to enroll at least 34 percent of all inmates in one or more educational program, the percent enrolled in 1998.

Criminal Justice Assistance for State and Local Governments

Providing Community Policing and Preventing Gun Violence: The budget proposes \$4.4 billion to help State and local governments fight crime, including \$550 million to assist crime victims. The 2001 Budget builds on the success of the Community Oriented Policing Services (COPS) program and includes \$1.3 billion for the second year of the 21st Century Policing Initiative. This program expands the concept of community policing to include community prosecution, law enforcement technology assistance, and prevention.

- In 2001, DOJ will continue providing States and localities with funds to hire additional officers in order to reach the goal of up to 150,000 additional police officers by 2005. As of the end of 1999, DOJ provided funding to place 103,720 more officers on the street.

To address the continuing problem of gun violence, the Administration continues to support an effort under the Brady Law to keep guns out of the hands of criminals and to make America's streets safer. As part of this effort, DOJ, working with the States, is now conducting computerized background checks on all firearm purchases. The instacheck system has been used to block more than 100 illegal gun sales a day since the program was implemented. Since 1993, the number of crimes committed with firearms has declined and has now fallen to levels last experienced in the mid 1980's.

- In 1999, 62,189 people with criminal records were prevented from purchasing firearms. To continue to ensure that felons, fugitives, stalkers and other prohibited purchasers are prevented from buying guns, over 12 million prospective gun sales will be reviewed in 2001.

Stopping Violence against Women: To combat the significant problem of violence against women, the budget proposes \$504 million to enhance the States' abilities to respond, and to further expand access to previously under-served rural, Indian, and other minority populations.

- As a result of grants that encourage arrests, DOJ will seek to increase by 145 percent over the 1997 baseline estimate of 50, the number of grantees reporting

a decrease in domestic violence calls in 2001.

Combating Juvenile Delinquency: To prevent young people from becoming involved in the juvenile justice system, the budget includes \$289 million for juvenile justice programs, including those that provide supervised afternoon and evening activities for youth.

- In 2001, compared with 2000 levels, DOJ will seek to reduce the incidence of juveniles illegally carrying guns and reduce the number of juvenile gun-related crimes.

27. GENERAL GOVERNMENT

Table 27-1. Federal Resources in Support of General Government
(In millions of dollars)

Function 800	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...	13,702	12,586	14,669	14,505	14,596	14,840	15,019
Mandatory Outlays:							
Existing law	3,346	1,737	1,385	1,340	1,332	1,606	1,370
Proposed legislation		32	22	370	401	394	404
Credit Activity:							
Direct loan disbursements		28	5	N/A	N/A	N/A	N/A
Guaranteed loans				N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	63,005	65,805	68,265	70,775	73,830	77,035	80,275
Proposed legislation			35	259	308	342	375

N/A = Not available.

The General Government function encompasses the central management activities of the executive and legislative branches. Its major activities include Federal finances (tax collection, public debt, currency and coinage, Government-wide accounting), personnel management, and general administrative and property management.

Four agencies are responsible for these activities: the Treasury Department (for which the budget proposes \$14.0 billion), the General Services Administration (\$942 million), the Office of Personnel Management (\$214 million), and the Office of Management and Budget in the Executive Office of the President (\$69 million).

Department of the Treasury

Treasury is the Federal Government's financial agent. It produces and protects the Nation's currency; helps set domestic and international financial, economic, and tax policy; enforces economic embargoes and sanctions; regulates financial institutions and the alcohol, tobacco, and firearms industries; manages the Federal Government's financial accounts; and, protects citizens and commerce against those who counterfeit money, engage

in financial fraud, violate our border, and threaten our leaders. Treasury's law enforcement functions are discussed in Chapter 26, "Administration of Justice".

In 2001 Treasury will seek to collect an estimated \$1.96 trillion in tax and tariff revenues due under law; issue \$2 trillion in marketable securities and savings bonds to finance the Government's operations and promote citizens' savings; and, produce nine billion Federal Reserve Notes, 15 billion postage stamps, and 17.9 billion coins.

Internal Revenue Service (IRS): The IRS is the Federal Government's primary revenue collector. The IRS' mission is to provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. To carry out its customer service-oriented mission, the IRS is engaged in a multi-year effort to modernize its technology infrastructure and organize into four operating divisions, each focused on serving groups of taxpayers with similar needs (i.e., wage and investment earners, small business and self-employed, middle and large cor-

porate, and tax exempt and government entities).

As it implements this technological and organizational modernization, the IRS is working to improve its work processes in order to enhance productivity and customer satisfaction. A critical component of this effort is the introduction of a new performance measurement system which balances business results (including quality and quantity measures), customer satisfaction, and employee satisfaction for each business unit. The IRS also is engaged in a long-term study to improve its understanding of taxpayer compliance burden so that this burden can be minimized. While this new measurement system is not yet fully in place, 2001 targets for several critical measures include the following:

- improve customer satisfaction (based on random surveys with a seven-point scale) to 6.3 for toll-free assistance (6.2 in 1998), 6.5 for walk-in customer service (6.4 in 1998), and 4.5 for field examination (4.1 in 1998), and 4.1 for field collection (3.9 in 1998);
- continue to improve customer service through its toll-free assistance, answering 60 percent of calls, (53.3 percent in 1999), with an accuracy rate of 84 percent for tax law questions (74.1 percent in 1999);
- receive 29.5 percent of individual returns filed electronically, up from 23.4 percent in 1999 (working toward a legislative goal of 80 percent of all returns and information documents by 2007), with over six million using Telefile, which allows taxpayers to file a simple tax return on the telephone in 10 minutes;
- receive 75.2 percent of tax revenues electronically (72.1 percent in 1999); and,
- continue to process 99 percent of refunds for electronic returns within 21 days and for paper returns process 85 percent within 40 days (99.6 percent for electronic and 83.2 percent for paper in 1999).

Financial Management Service (FMS): The FMS mission is to improve the quality of Federal Government financial management by providing financial services, information

and advice to Federal program agencies and other clients. FMS has been working toward an all electronic Treasury by promoting its electronic payment and collection programs. FMS has also been providing debt collection and debt management services to all Federal agencies to aid in its implementation of the Debt Collection Improvement Act. In 2001, FMS will:

- increase the percentage of Federal payments and associated information transmitted electronically from 68 percent in 1999 to 79 percent in 2001;
- increase electronic collections as a percentage of total collections from a level of 72 percent in 1999. FMS achieved its 2001 target of 72 percent two years ahead of schedule and is re-evaluating the program and will establish a new target; and,
- increase the percentage of eligible delinquent debt that is referred to Treasury for collection from 68 percent in 1999 to 75 percent in 2001.

Bureau of Public Debt (BPD): BPD conducts all public debt operations for the Federal government and promotes the sale of U.S. savings-type securities. Funding for 2001 will allow BPD to maintain its current level of service and will enable it to continue to meet the following baseline performance goals:

- issue at least 95 percent of over-the-counter bonds within three weeks of their purchase (99 percent in 1999);
- as in 1999, conduct all marketable securities auctions without error; and,
- announce auction results within one hour 95 percent of the time (100 percent in 1999).

U.S. Mint: The U.S. Mint produces the Nation's coinage and manufactures numismatic products for the public. In 2001, the U.S. Mint will:

- introduce the 35 State series in the 50 States Commemorative Quarter Program; and,
- maintain high levels of customer service by shipping commemorative coins within four weeks and recurring coins within three weeks of order placement.

In 1999, the Mint received a high customer satisfaction rating from buyers of numismatic and commemorative coins. Exceeding the scores of many private sector firms in the American Customer Satisfaction Index (ACSI), the Mint scored among the highest of the 29 “high impact” Federal agencies evaluated by ACSI.

Bureau of Engraving and Printing (BEP): BEP produces all U.S. currency, about half of U.S. postage stamps, and other Government securities. In 2001, BEP is expected to have a stable production year, with currency and postage production remaining at 2000 levels, thus allowing BEP to continue to achieve the following goals:

- meet all Federal Reserve and United States Postal Service orders as requested; and,
- prevent more than 0.05 notes per million from being returned by the Federal Reserve because of counterfeit deterrence defects.

General Services Administration (GSA)

GSA provides policy leadership and expertly managed space, products, and services to support the administrative needs of Federal agencies. In 2001, revenues from GSA’s various business lines will exceed \$14 billion. GSA is responsible for more than \$50 billion a year in Federal spending for property management and administrative services, and management of assets valued at \$466 billion.

In recent years, GSA has worked to develop a new Federal management model, focusing on performance measurement, accountability for agencies and employees, and the effective use of technology in changing work environments. GSA has established inter-agency groups to advise it on the policies, best practices, and performance benchmarks appropriate for each administrative service and information system. GSA’s ultimate goal is a Federal Government in which agencies receive the administrative services they need, according to the best known practices and at the least cost.

As a provider of many administrative services, GSA seeks to exceed all Government-wide performance goals and industry bench-

marks for these services, as these benchmarks are developed or identified. Its overall goals as a service provider are to exceed its customer agencies’ expectations for price, service, and quality. In 2001:

- the Public Buildings Service will deliver 81 percent of its construction, and 84 percent of its repair projects on schedule and within budget, up from 78 and 81 percent in 1999, respectively;
- the Federal Technology Service projects a 35-percent reduction from 1994 rates in monthly line charges for local telephone service;
- the Federal Supply Service will reduce its costs of operations in the Supply and Procurement Business Line by 45 percent of 1999 costs; and,
- the volume of purchases made with Federal purchase cards will total \$18.8 billion, a 27 percent increase over 1999.

Because GSA provides services on a reimbursable basis, agency budgets fund most of GSA’s activities. In 2001, for example, the budget proposes an appropriation of \$871 million for GSA, primarily for the Office of Government-wide Policy, the Office of the Inspector General, and the construction and repair of Federal buildings. However, the budget projects obligations over \$14 billion through GSA’s revolving funds. GSA also affects Federal spending through its delegation of authority for property disposal, building operations, and the procurement of pharmaceuticals. In addition, GSA will administer contracts through which agencies will purchase more than \$27 billion in goods and services outside of GSA’s revolving funds.

Office of Personnel Management (OPM)

OPM provides human resource management leadership and services, based on merit principles, to Federal agencies and employees. It provides policy guidance, advice, and direct personnel services and systems to the agencies; operates USAJOBS, a worldwide job information and application system; and provides fast, friendly, accurate, and cost-effective retirement, health benefit, and life insurance services to Federal employees, annuitants, and agencies. Several OPM programs and

related performance measures are discussed elsewhere in the budget. For example, see Chapters 5 and 23 for a discussion of the health benefits program and Chapter 25 for a discussion of the retirement program.

OPM provides oversight of the Federal civil service merit systems, covering nearly 1.8 million employees. In 1993, OPM was only conducting sporadic reviews at local level installations. In 2000 and 2001, OPM will conduct 15 to 16 Nation-wide agency oversight reviews each year, including reviews of agencies whose personnel in the Executive Branch are not covered by Title 5 of the U.S. Code, and a number of small agencies.

OPM promotes programs and personnel flexibilities that enable employees to successfully balance work and family issues, such as quality child care and family friendly programs. In 2001, OPM will continue to conduct programs promoting lifelong learning (e.g., Individual Learning Accounts), diversity in the workplace, employment of persons with disabilities, and alternative dispute resolution, to foster effective labor-management relationships.

In 2001, OPM will:

- Continue to expand access to Federal employment information by all Americans by increasing usage of USAJOBS by five percent from the 1999 high of 14.8 million (usage which has tripled since 1993), and maintain a 90 percent or better (up from 60 percent in 1993) customer satisfaction level with USAJOBS users by implementing a student employment job search feature and email notification of job matches to job seekers.
- The Office of the Inspector General will initiate program performance audits of OPM mission-critical programs, beginning with the retirement and investigations programs.
- The Office of Executive and Management Development will establish a minimum of twelve strategic partnerships with high impact agencies, emphasizing custom-designed programs to meet their strategic needs in promoting organizational effectiveness of the agencies' partners.

- The Office of Investigations will continue to work with its contractor to further improve the quality of casework, reduce the cost of a standard background investigation to the agencies (reducing it from \$2,795 to \$2,695 in 2000), and to meet new business requirements from the Drug Enforcement Administration and the Department of Defense.

Office of Management and Budget (OMB)

OMB assists the President in policy development relating to the budget, regulations, information, and legislation; and in the management of the Executive Branch. OMB also provides the President with high quality analysis and advice on a broad range of topics.

OMB prepares the Federal budget and oversees its execution in the departments and agencies by helping to formulate the President's spending plans, reviewing the performance of agency programs, and the effectiveness of policies and procedures; assessing competing funding demands among agencies; and, providing policy options. OMB works to ensure that proposed legislation, and agency testimony, reports, and policies are consistent with Administration policies, leveraging use of interagency programs and Councils. On behalf of the President, OMB often presents and justifies major policies and initiatives related to the budget and Government management before Congress.

OMB has a central role in developing, overseeing, coordinating, and implementing Federal procurement, financial management, information, and regulatory policies. OMB helps to strengthen administrative management, develop better performance measures, and improve coordination among Executive Branch agencies.

In 2000, OMB will use a state-of-the art off-site secure data center to produce the annual budget. In 2001, OMB will invest in additional information technology applications to improve efficiency and effectiveness of the OMB's staff. In addition, OMB staffing will be increased to permit completion of more thorough technical and analytical work in key functional areas such as financial management, procurement, regulatory anal-

ysis, economic forecasting, and technology systems investment analyses.

Tax Incentives

The Federal Government provides significant tax incentives that benefit State and local governments. It permits tax-exempt borrowing for public purposes, costing \$23.4 billion in Federal revenue losses in 2001 and \$118 billion over five years, from 2001 to 2005. (The budget describes tax-exempt borrowing for non-public purposes in the chapters on other Government functions.) In

addition, taxpayers can deduct State and local income taxes against their Federal income tax, costing \$44.7 billion in 2001 and \$239 billion over five years. Corporations with business in Puerto Rico and other U.S. possessions receive a special tax credit, costing an estimated \$2.6 billion in 2001 and \$13 billion over five years. This tax credit is phasing out and will expire at the end of 2005. Finally, up to certain limits, taxpayers can credit State inheritance and estate taxes against Federal estate taxes, costing \$35 billion over five years.

28. NET INTEREST

Table 28-1. Net Interest

(In millions of dollars)

Function 900	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Mandatory Outlays:							
Existing law	229,735	220,314	208,308	198,605	189,244	177,445	163,634
Proposed legislation			4	21	57	85	134
Tax Expenditures:							
Existing law	965	1,015	1,065	1,115	1,175	1,235	1,295

The Federal Government pays large amounts of interest to the public, mainly on the debt it incurred to finance the excess of past budget deficits over surpluses. Net interest closely measures these Federal interest transactions with the public.

The Government also pays interest from one budget account to another, mainly because it invests its various trust fund balances in Treasury securities. Net interest does not include these internal payments.

In 2001, Federal outlays for net interest will total an estimated \$208.3 billion, declining to \$163.6 billion in 2005. The amounts shown for the mandatory outlay effects of proposed legislation in the table at the beginning of this chapter are interest payments to Government revolving funds, and therefore have no net effect on the Government finances.

The Interest Burden

As noted above, the amount of net interest depends on the amount of debt held by the public, as well as on the interest rates on the Treasury securities that comprise that debt. Debt held by the public is the total of all deficits that have accumulated in the past—minus the amount offset by budget surpluses. Large deficits in the 1980s and early 1990s sharply increased the ratio of debt held by the public to the Gross Domestic Product (GDP)—from 26.1 percent

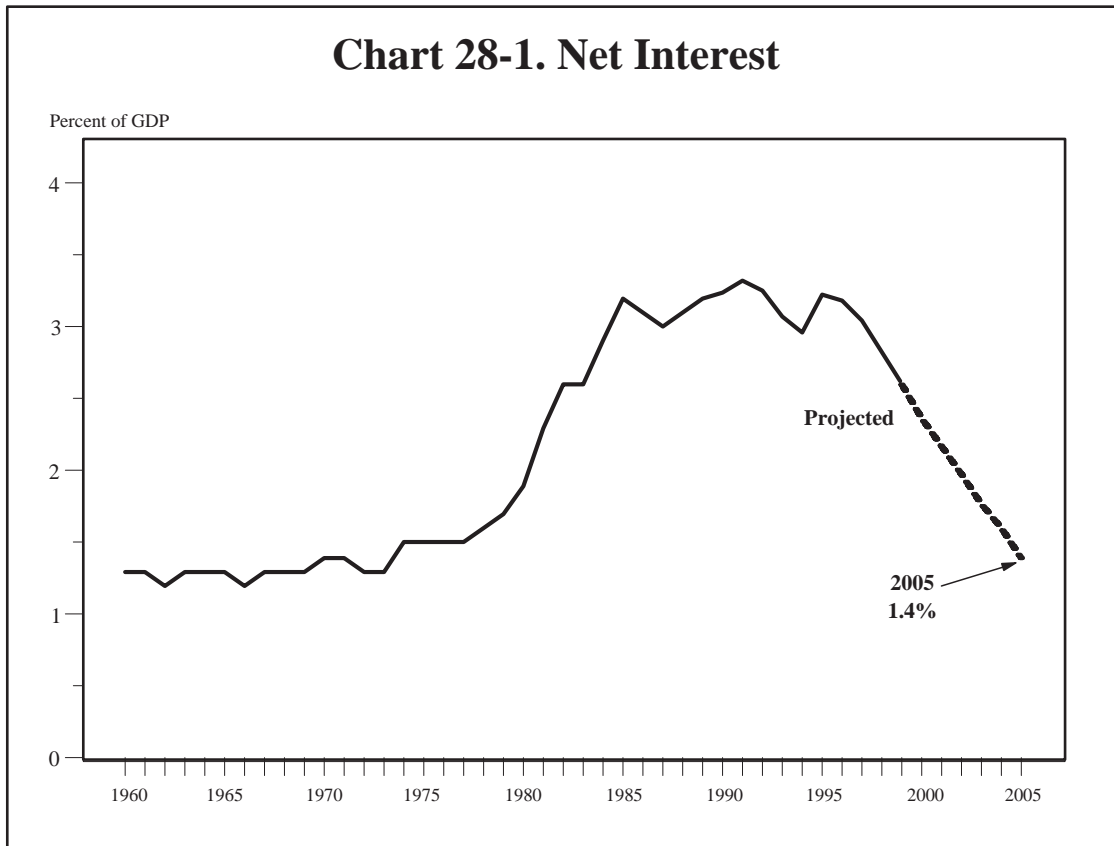
in 1980 to 49.5 percent in 1993. Partly due to the huge rise in debt, interest rates on Treasury securities also rose sharply. The combination of much more debt and higher interest rates caused a substantial increase in Federal interest costs—from 1.9 percent to 3.3 percent of GDP between 1980 and 1991 (see Chart 28-1).

As budget deficits were gradually eliminated, and as interest rates declined, the ratio of net interest to GDP fell from 3.3 percent in 1991 to 2.5 percent in 1999. The combination of budget surpluses starting in 1998, and continued moderate interest rates, is projected to reduce the ratio further, to an estimated 1.4 percent in 2005. Thus, the interest burden is projected to fall by one-half in just over a decade. As shown in the table above, net interest started to decline in 1999.

Components of Net Interest

Net interest is defined as gross interest on the public debt, minus the interest received by on-budget and off-budget trust funds, and minus all activities that fall under "other interest" (discussed later in this chapter).

Gross Interest on the Public Debt: Gross interest on the public debt will total an estimated \$360.0 billion in 2001 and \$372.4 billion in 2005. At the end of 1999, the gross Federal debt totaled \$5.606 trillion, of which \$3.633



trillion was held by the public. The debt held by the public accounted for 21.7 percent of the total credit-market debt owed by the non-financial sector of the U.S. economy. This proportion peaked at 26.7 percent in 1994 and has trended down over the last few years, as Federal Government borrowing diminished with the declining deficits and recent surpluses (see Table 12–1 in *Analytical Perspectives*).

The Treasury Department plans to buy back outstanding U.S. notes and bonds as part of its efforts to manage efficiently the reduction of the publicly held debt. The budgetary treatment of the premiums and discounts on these repurchases is discussed in detail in Chapter 24 of *Analytical Perspectives*, “Budget System and Concepts and Glossary”.

Interest Received by Trust Funds: Under current law, the receipts and disbursements of Social Security’s old-age and survivors insurance (OASI) trust fund and disability insur-

ance (DI) trust fund are excluded from the budget. Social Security, however, is a Federal program. Thus, the net interest of the Federal Government as a whole includes the off-budget interest earnings. Because Social Security will accumulate large surpluses over the next several years, its interest earnings will rise from an estimated \$68.1 billion in 2001 to \$110.5 billion in 2005.

The other trust funds are on-budget. The interest earnings of the civil service retirement and disability fund will rise from an estimated \$35.8 billion in 2001 to \$40.1 billion in 2005, and the interest of the military retirement fund will rise from \$13.0 billion to \$14.0 billion. The Medicare Hospital Insurance (HI) trust fund will receive \$12.5 billion in 2001. Together with Social Security, these account for most of the interest received by trust funds.

Other Interest: Other interest includes both interest payments and interest collections—much of it consisting of intra-governmental payments and collections that arise from Federal revolving funds. These funds borrow from the Treasury to carry out lending or other business-type activities.

Budgetary Effect, including the Federal Reserve

The Federal Reserve System buys and sells Treasury securities in the open market

to implement monetary policy. The interest that Treasury pays on the securities owned by the Federal Reserve is included in net interest as a cost, but virtually all of it comes back to the Treasury as “deposits of earnings of the Federal Reserve System.” These budget receipts will total an estimated \$29.5 billion in 2001 and \$33.8 billion in 2005.

29. ALLOWANCES

Table 29-1. Allowances
(In millions of dollars)

Function 920	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority	-161	-250	-321	-324	-329

Adjustments to Certain Accounts

This allowance provides for growth in the budgets of certain agencies at rates closer to historical levels.

Purchase of Martin Luther King, Jr. Papers

This allowance provides for acquisition of the papers of Martin Luther King, Jr., by the Library of Congress.

Effect of Proposed Repeal of Pay Delay Enacted in P.L. 106-113, non-defense

This allowance is a proposal to reverse the pay date delay enacted in the 2000 Appropriations Acts for non-defense agencies.

30. UNDISTRIBUTED OFFSETTING RECEIPTS

Table 30-1. Undistributed Offsetting Receipts
(In millions of dollars)

Function	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Spending:							
Discretionary Budget Authority ...			-200	-200	-200	-200	-200
Mandatory Outlays:							
Existing law	-40,445	-43,061	-45,721	-49,084	-47,303	-46,894	-48,608
Proposed legislation			305	299	302	313	317

Offsetting receipts, totaling \$45.6 billion in 2001, fall into two categories: (1) the Government's receipts from performing business-like activities, such as proceeds from the sale of Outer Continental Shelf leases or a Federal asset; and, (2) the amounts that the Government shifts from one account to another, such as agency payments to retirement funds.

Rents and Royalties on the Outer Continental Shelf (OCS)

The Interior Department's Outer Continental Shelf lands leasing program, which began in 1954, currently generates about 26 percent and 21 percent of U.S. domestic oil and natural gas production, respectively. Since its inception, it has held 129 lease sales, covering areas three to 200 miles offshore and generating over \$128 billion in rents, bonuses, and royalties—mainly for the Treasury Department.

OCS revenues provide most funding for the Land and Water Conservation Fund. The OCS program will generate more than \$3.5 billion in receipts in 2000. In 2001, the Administration will continue the leasing moratoria for environmentally sensitive areas—offshore California, Oregon, and Washington; the Eastern Seaboard; the southwestern coastline of Florida, including the Everglades; and, certain parts of Alaska.

Employee Retirement

In 2001, Federal agencies will pay an estimated \$38.2 billion on behalf of their employees to the Federal retirement funds,¹ the Medicare health insurance trust fund, and the Social Security trust funds. As civilian employee pay rises, agencies must make commensurate increases in their payments to recognize the rising cost of retirement.

Other Undistributed Offsetting Receipts

In 1993, the President and Congress gave the Federal Communications Commission authority to assign spectrum licenses through competitive bidding, which has proven to be an extremely efficient and effective way to allocate this finite public resource. The budget reflects the continued policy of assigning licenses by auction, as authorized by the 1997 Balanced Budget Act. The Government will auction spectrum made available from the transition to digital broadcast technology as well as other additional reallocated spectrum—raising an estimated \$14.4 billion over the next eight years, and compensating the public for the use of this valuable resource.

¹The major programs are the Military Retirement System, the Civil Service Retirement System, and the Federal Employee Retirement System.

31. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

We made a decision that was profoundly important, that the way Government works matters, that we could not maintain the confidence of the American people and we could not have ideas that delivered unless the Government was functioning in a sensible, modern, and prudent way.

President Clinton
December 1998

In the past two years, the Administration has tackled the Government's biggest management challenges, which are designated Priority Management Objectives (PMOs), through a coordinated, sustained and intensive effort with the agencies to achieve significant improvements in these areas. This year, the Administration is targeting 24 Government-wide and agency-specific management issues for heightened attention (see Table 31-1). Four are new: "Use capital planning and investment control to better manage information technology;" "Streamline and simplify Federal grants management;" "Align human resources to support agency goals;" and, "Capitalize on Federal energy efficiency."

Last year, the Administration successfully advanced several of our management goals (which therefore are no longer on the PMO list). In particular, the Administration resolved its first and foremost management objective, "Manage the year 2000 (Y2K) computer problem" with impressive results. Y2K posed the single largest technology management challenge in history. The Federal Government's acknowledged success through the date change was the direct result of the commitment, long hours, and exceptional efforts of Federal employees in every agency. Due largely to the efforts of these employees and the leadership provided by the President's Council on Year 2000 Conversion, the Federal Government's Y2K efforts were, beyond all expectation, remarkably trouble-free. Under the direction of the President's Council, the Federal Government also worked with the private sector, State, and local governments,

and international organizations to raise awareness and encourage work on the problem. Again, the results were uniformly acclaimed. In the Spring of 2000, the Conversion Council will prepare a final report which will include lessons learned from this challenge.

Two other objectives were successfully accomplished in 1999. First, to meet the goal "Better manage real property," the General Services Administration developed a draft legislative proposal to increase agency incentives to dispose of unneeded real property—making it available for more productive public or private use, in turn providing resources for agencies to fund needed capital investments. Second, to "Improve management of the decennial census," the Bureau of the Census in the Department of Commerce established and tested the necessary support structure—which includes opening data capture centers, regional census offices, and local census offices, printing forms, establishing a telephone questionnaire assistance program, printing language assistance guides, and recruiting and training temporary census workers—and it is now ready for operation. Finally, in 1999, all agencies identified activities performed by Federal employees that could be opened to competition potentially resulting in contracts with either private firms or with a more efficient public sector operation. Since such competitive reviews are an important element of the effort to "Revolutionize DOD business affairs," the objective "Use competition to improve operations" has been incorporated into the Department of Defense (DOD) objective.

Table 31-1. Priority Management Objectives**Strengthening Government-Wide Management**

1. Use performance information to improve program management and budget decision-making.
2. Improve financial management information.
3. Use capital planning and investment control to better manage information technology.
4. Provide for computer security and protect critical information infrastructure.
5. Strengthen statistical programs.
6. Implement acquisition reforms.
7. Implement electronic Government initiatives.
8. Better manage Federal financial portfolios.
9. Align Federal human resources to support agency goals.
10. Verify that the right person is getting the right benefit.
11. Streamline and simplify Federal grants management.
12. Capitalize on Federal energy efficiency.

Improving Program Implementation

13. Modernize student aid delivery.
14. Improve DOE program and contract management.
15. Strengthen HCFA's management capacity.
16. Implement HUD reform.
17. Reform management of Indian trust funds.
18. Implement FAA management reforms.
19. Implement IRS reforms.
20. Streamline SSA's disability claims process.
21. Revolutionize DOD business affairs.
22. Manage risks in building the International Space Station.
23. Improve security and management of overseas presence.
24. Reengineer the naturalization process and reduce the citizenship application backlog.

The PMOs are coordinated by OMB with assistance from the National Partnership for Reinventing Government (NPR) and the interagency working groups, thus assuring senior management attention. Managers in the agencies have the primary responsibility to achieve the agreed-upon objectives—they must effectively implement detailed action plans to ensure that they make progress toward meeting their goals. Periodic reporting and review provide an opportunity for corrective action as necessary throughout the year.

Strengthening Government-wide Management

1. Use performance information to improve program management and budget decision-making: The Government Performance and Results Act (GPRA) requires agencies to meas-

ure performance and results—not just funding levels—so that we can better track what taxpayers are getting for their dollars. Agencies are not only working to develop and use performance measures in program management but also are working to integrate this information into budget and resource allocations, so that we can better determine the cost of achieving goals. The task is not simple. The agencies must define their specific goals, determine the proper level of resources, assess which programs are working, and fix those that are not. Progress will depend on GPRA becoming more than a paper exercise. Over the next year, OMB will work with all agencies to better integrate planning and budgeting and systematically associate costs with programs.

2. Improve financial management information: Just a decade ago, the Federal Government lagged far behind private industry in its ability to offer assurances of financial integrity. The Administration recognized and immediately began to address this weakness. Today, Government agencies have a strong financial management infrastructure supported by a comprehensive set of Federal financial accounting standards. Chief Financial Officers (CFOs) in the 24 largest Federal agencies integrate financial management agency-wide and produce annual audited financial statements. As validation of our progress, in October 1999, the American Institute of Certified Public Accountants recognized Federal Accounting Standards Advisory Board statements as “generally accepted accounting principles” (GAAP). This independent acknowledgment by the internationally recognized organization that designates GAAP standard-setting bodies marks a significant milestone in improving public confidence in Federal financial management. Also, in 1999, 12 of 24 CFO agencies received clean opinions on their 1998 statements, double the number of clean opinions received in 1996 and in sharp contrast to 1993 when agencies did not routinely issue financial statements. In 1999, the Federal Government also issued its second audited Government-wide financial statement. Auditors noted specific accounting difficulties at DOD, and the complexity of identifying and reporting transactions between Federal Government entities (intra-Governmental transactions). DOD has invested significant contractor support resources to address its problems, and OMB, the Treasury Department, and the General Accounting Office are working with the CFOs to develop short- and long-term solutions to the intra-Governmental transactions issue. Almost all

agencies also face the daunting task of upgrading or replacing financial management systems to provide the accurate, timely, and useful information that is the cornerstone of both financial integrity and performance measurement.

3. Use capital planning and investment control to better manage information technology: The Government spends in excess of \$38 billion each year on information technology, and this number will continue to grow as virtually all functions of Government take advantage of efficiencies provided by information technology (IT). Well selected, controlled, and managed IT projects can ensure that agencies fulfill their missions with the lowest costs and greatest benefit to the American people. The Administration will issue general guidance and will work with agencies on specific systems to ensure that IT capital planning is integrated with agency budget, acquisition, financial management, and strategic planning processes, and that agencies properly assess benefits, risks, performance goals and accomplishments of their IT portfolios. Chapter 22 of *Analytical Perspectives* highlights program performance benefits from major IT investments throughout the Federal Government.

4. Provide for computer security and protect critical information infrastructure: Protecting information systems that the Federal Government depends on and that are critical to the economy is growing in importance as society’s use of technology and reliance on interconnected computer systems increases. The Y2K remediation underscores the fact that, along with increased productivity and efficiency of system interconnections, there comes increased risk. However, if the risks are identified and addressed in light of secu-

Table 31-2. CFO Agency Financial Statement Performance Goals

Financial Statements	1998 Actual	Estimate		
		1999	2000	2001
Audits Completed	24	24	24	24
Agencies with Unqualified Opinion	12	18	21	22
Agencies with Unqualified and Timely Opinion	7	16	21	22

rity issues, they are manageable. Such risk management requires that we incorporate security into the architecture of each system, promote security controls that support agency business operations, and ensure that security funding is built into life-cycle budgets for information systems. Protecting Government information systems is a key component of the broader imperative to protect the Nation's critical infrastructure—namely such vital assets as banking and finance, transportation, energy, or water, whose incapacity would

have a debilitating effect on national security, national economic security, or national public health and safety. Each Federal agency has the responsibility to protect its own critical infrastructures and ensure its ability to provide essential services to the public. In addition, because most of the Nation's critical infrastructures are owned and operated by the private sector, Government agencies must follow the Y2K example in reaching out to private industry to assist and encourage sensible infrastructure protection efforts.

Protecting Personal Privacy

As information technology transforms our Government and our economy, a growing challenge is how to gain the benefits from the new technology while preserving one of our oldest values—privacy. In the online world, the Administration has encouraged self-regulatory efforts by industry. For especially sensitive information—such as medical, financial, and children's online records—legal protections are required. To coordinate privacy policy, the Administration created the position of Chief Counselor for Privacy within OMB's Office of Information and Regulatory Affairs.

This year has seen historic progress:

- In the online world, under steady prodding by the Administration, the portion of commercial websites with privacy policies rose from 15 percent to over 65 percent from 1998 to 1999. A public workshop last fall challenged industry to address concerns about "online profiling," in which companies collect data, in ways few people would suspect, about individuals surfing the Internet.
- When children go online, parents should give their consent before companies gather personal information. Websites aimed at children must get such consent under the Children's Online Privacy Protection Act of 1998 and rules issued last year.
- In new regulations, the Administration has emphasized its full support for the use of strong encryption to provide privacy and security to law-abiding citizens in the digital age. Continuing programs to strengthen Government computer security also provide new privacy safeguards for personal information held by the Government.

Progress on privacy will continue:

- For medical records, this year will see historic, final rules that will legally guarantee key privacy protections: notice of data uses; consent before records are used for non-medical purposes; patient access to records; proper security; and, effective enforcement. The Administration will continue to support legislation that would include broader scope and enforcement authority.
- The financial modernization bill signed by the President in November 1999 included important privacy protections. Notably, consumers will have an absolute right to know if their financial institution intends to share or sell their personal financial data, as well as the right to block sharing or sale outside the institution's corporate family. Last year, the Administration will seek further protections for consumers in financial information, including choice about sharing within a corporate family.
- The Federal Government will continue to build privacy protections into its own activities. Last year, for instance, all Federal agencies successfully posted clear privacy policies on their websites. This year, among other initiatives, the Administration plans to make "privacy impact assessments" a regular part of the development of new Government computer systems.

5. Strengthen Statistical Programs: The Government spends more than \$3 billion each year to produce statistical measures for decision makers in both the public and private sectors. These data are used for everything from monitoring the Nation's progress in the dynamic global economy, to spotting important trends in public health, to projecting the impact of future demographic shifts on the Social Security System. In 1999, the Administration: (1) actively supported House passage of a bill to permit limited sharing of confidential data among selected agencies solely for statistical purposes; (2) significantly enhanced FedStats (www.fedstats.gov) services; and (3) published innovative inter-agency thematic reports, including *America's Children: Key National Indicators of Well-Being and Health, United States*. The Administration will now seek Senate passage of the legislation for statistical data sharing, begin use of the recently revised Standard Occupational Classification, publish a new thematic report on statistics related to the aging population, and continue the phased implementation of the American Community Survey to provide comparable demographic, economic, and housing data for small geographic areas for use in distributing nearly \$200 billion annually. In 2001, the Administration will work to improve the measurement of income and poverty; address key education, health, and welfare data needs; and, strengthen measures of capital equipment, services expenditures, and E-business.

6. Implement acquisition reforms: The Federal Government is the Nation's largest buyer of goods and services, purchasing roughly \$200 billion each year. In the past seven years, the Congress and the Administration have implemented numerous acquisition reforms to streamline the buying process and maximize the Government's buying power. For example, agencies are using credit cards for small dollar purchases instead of processing paper purchase orders to save administrative expense and time. In 1999, the Government met its goal of using credit cards for 60 percent of all purchases below \$2,500. For 2000, the goal was increased to 80 percent, and all agencies are on track to meet this goal. Agencies are also selecting contractors based on past performance to

save money and get better results. In 1999, 15 agencies established and are using contractor performance evaluation systems to select high-performing contractors. In 2000, all major agencies will have evaluation systems in place. Further, to obtain desired performance and reduce cost overruns and schedule slippages on the annual expenditure of \$70 billion for capital assets (e.g., buildings, satellites, information technology), agencies are implementing a rigorous capital programming process. Finally, agencies are being encouraged to use performance-based service contracts which improve performance and reduce price by describing desired outcomes in measurable terms while leaving the "how" to the contractors' ingenuity.

7. Implement electronic Government initiatives: New information technologies can make Government easier to use. In December 1999, the President articulated a vision for electronic Government. The Administration will pursue three related strategies to increase access to Government information, ensure privacy and security, increase agency use of automation to transact services, and adopt cross-cutting electronic Government initiatives. First, citizens, businesses, and governments need to trust that when they communicate electronically as part of a Federal activity, their messages will be safe from interference and fraud. By December 2000, agencies will issue at least 100,000 secure digital signatures to individuals to enable them to exchange information with the Government in a private and tamper-proof manner. Second, the Federal Government will develop a new clearinghouse for Government information on the Web to demonstrate how common standards can dramatically improve access to government information at far less cost than current approaches. And third, agencies will create new computer applications to allow citizens to transact more government services electronically, beginning with the 500 most common Government services and forms.

8. Better manage Federal financial portfolios: The Federal Government currently underwrites more than \$1 trillion in loans, primarily to students, homebuyers, and small businesses. The Government can better serve these customers and at the same time protect its interest in obtaining efficient and timely

repayment. At the end of 1998, \$60 billion of this Federal portfolio was delinquent—an increase of \$8 billion from 1997. However, as the Department of the Treasury implements its new statutory authorities under the Debt Collection Improvement Act, collections are beginning to increase. For example, in 1999, Treasury collected \$2 billion through “offsets” of tax refunds and other payments—with more than \$1 billion representing delinquent child support obligations. In addition, the Department of Justice collected more than \$1 billion of delinquent debt through its litigation program. In 2000, agencies should increase collections and further reduce delinquencies by full implementation of the Treasury debt collection offset and cross-servicing tools, by increasing loan sales for delinquent debt, and by writing-off uncollectible debt.

9. Align Federal human resources to support agency goals: Recognizing that people are critical to achieving results Americans care about, the Administration will undertake a strategic approach to human resources management. First, the Office of Personnel Management (OPM) will help agencies strategically assess their human resources to ensure a quality Federal work force in the 21st Century. Among other things, in 2000, OPM will complete the design of a prototype work force planning model that will allow line managers to analyze their current work force and prepare “what-if” scenarios under a variety of recruitment, restructuring, or mission change models. Second, OPM will work with agencies to ensure labor-management initiatives to empower executives, line managers, and especially employees to improve customer service and get mission results. Third, OPM will encourage agencies to make better use of flexibilities in existing human resource policies, systems, and available tools. OPM will also submit legislative proposals, where necessary, consistent with these human resource management strategies.

10. Verify that the right person is getting the right benefit: The Administration will expand its focus on ensuring that administrative and program payments are made correctly and on time. The Government-wide strategy is first and foremost to make payments correctly up-front and, secondly, to measure the extent of improper payments through

the annual financial and performance reporting process. The strategy also calls for strong privacy and security protections in carrying out these goals. In 2000, OMB will issue guidance to agencies to ensure that the right person is getting the right benefit, including, for example, principles for authenticating identity, keeping address information up-to-date, and verifying eligibility criteria. The Administration will also assist Federal agencies in estimating the extent of, and addressing the underlying causes of, improper payments. The Administration will work with the Congress where legislation is needed to provide agencies the ability to share information within the framework of the Privacy Act and Computer Security Act.

11. Streamline and simplify Federal grants management: The Administration will work to make it easier for State, local, and tribal governments and nonprofit organizations to apply for and, as recipients, report their progress on Federal grants. The inter-agency Electronic Grants Committee and their Federal Commons initiative will be central to a Government-wide effort to use electronic processing in the administration of agencies’ grant programs. OMB and the agencies are also working to develop common applications and reporting systems for grant programs, including consolidation of payment systems. We will also identify statutory impediments to grants simplification and encourage flexible legislation, like the Workforce Investment Act, which allows Federal agencies to streamline the delivery of grants.

12. Capitalize on Federal energy efficiency: The Federal Government is the largest single consumer of energy in the world. Every year, the Government spends more than \$4 billion to heat, cool, and power 500,000 Federal buildings. With this distinction comes the opportunity to save energy, save taxpayers dollars, and protect the environment from harmful greenhouse gases. Under the leadership of this Administration, the agencies have already cut their energy use 17 percent from 1985 levels. In 1999, the President issued E.O. 13123, Greening the Government through Energy Efficient Management, setting tough new goals for energy efficiency and giving agencies the tools they need to achieve those goals. In 2000, agencies will take

steps to markedly improve energy efficiency by maximizing use of contracting tools, such as energy savings performance contracting; purchasing energy efficient office products; taking advantage of cost-effective renewable technologies and power from clean (or “green”) sources; and, using sustainable designs for new Federal construction. By 2010, agencies will cut energy use by 35 percent and reduce greenhouse gas emissions by 30 percent—saving taxpayers over \$750 million a year.

Improving program implementation

13. Modernize student financial aid delivery: The Higher Education Amendments of 1998 created the Government’s first performance-based organization in the Department of Education’s Office of Student Financial Assistance (OSFA) to significantly improve the annual delivery of \$50 billion in financial assistance to nearly nine million students. In 1999, the new results-oriented organization hired a chief operating officer, assessed customer needs, developed a systems modernization blueprint, issued a five-year performance plan, and reorganized the staff into three service-oriented channels for students, schools and financial institutions. It successfully field tested its application software with ten schools and multiple Federal agencies in the first phase of its pilot program. In 2000 and 2001, working with other agencies, schools, students, and the commercial banking industry, OSFA will focus on implementing critical areas of the systems modernization plan, completing the personnel reorganization, expanding electronic access to benefits and services, and simplifying data exchanges with partners and customers.

14. Improve Department of Energy (DOE) program and contract management: Because more than 90 percent of DOE’s budget is spent through large, long-term management contacts, good acquisition planning and better project management after contract award are essential. For example, DOE contracts with universities and other organizations to operate and maintain facilities to clean up nuclear material and waste sites, and with private sector firms to design, build, and operate treatment, storage, and disposal facilities. The Administration is emphasizing more cost-

efficient, performance-based, fixed-price contracts over reliance on cost reimbursement contracts, which have few incentives for contractors to adhere to cost, schedule, and performance goals. In 1999, DOE increased the number of contracts it competed and added performance measures and incentives to others. It also created a high-level project management office to track and review all projects valued at \$20 million or more; those that cannot meet cost, schedule or performance goals will be placed on a “Watch List” to be monitored more closely by the Deputy Secretary. In 2001, DOE will award 70 percent of its support service requirements as performance based service contracts. By 2003, two-thirds of DOE’s facility maintenance contracts will have been awarded competitively.

15. Strengthen the Health Care Financing Administration’s (HCFA’s) management capacity: HCFA faces the formidable challenge to modernize and operate as a prudent purchaser of health care in the fast-changing health care marketplace, while also, and perhaps most important, increasing accountability to its customers. The initiative has five components: (1) management flexibilities (e.g., evaluation of personnel needs and flexibilities); (2) increased accountability to constituencies (e.g., creation of an outside advisory committee); (3) program flexibilities (e.g., new authorities and greater use of existing authorities to pay for services at market rates, enter into selective contracts, and engage in competitive bidding); (4) structural reforms (e.g., reengineering relationship between HCFA’s central and regional offices and between HCFA and HHS); and, (5) contracting reform (e.g., promoting competition in Medicare claims processing, improving contractor oversight). In 1999, HCFA established a Management Advisory Committee, which will include individuals with a wide range of private sector, public sector, and academic experience. The bipartisan committee will begin meeting in 2000 to provide guidance on ways to improve HCFA’s management, performance, and accountability. HCFA is also in the process of assessing its current and ideal workforce skills mix, and developing and validating a long-term human resources strategic plan. HCFA drafted and sent to

Congress its contracting reform legislative proposal, which is designed to introduce competition into the Medicare contracting environment and allow HCFA to select contractors from a wider pool. The President's 2001 Budget includes a new contractor oversight initiative to ensure that contractors have appropriate controls in place. Other areas of focus for 2000 and 2001 include improving communications and coordination between HCFA central and regional offices and HHS, and developing strategies for making better use of HCFA's vast data resources.

16. Implement Department of Housing and Urban Development (HUD) reform: In the mid-1990s, chronic problems at HUD led some to consider abolishing the Department. Congress, the General Accounting Office, and private agencies criticized the agency as unresponsive, having too much red tape and little accountability, and plagued with unreliable data and various systems that could not communicate with one another. HUD's comprehensive reforms, begun in June 1997, are designed to realign agency operations for results, including assuring that HUD-subsidized tenants live in safe and well-managed housing. To date, HUD has downsized staff to 60 percent of 1980 levels, and clarified the mission of each employee; surveyed every public and HUD-assisted multifamily project and advised owners of any documented deficiencies; cleaned up much of the data in existing management and financial systems, integrating many of the disparate systems where possible; and begun to monitor subsidized tenants' eligibility and the correct amount of tenant rental payments through cross checks with Social Security and other data bases. By the end of 2001, HUD will reduce the share of public and assisted housing with severe physical deficiencies by 10 percentage points, reduce the share of units managed by poorly performing public housing agencies by five percentage points, and will promptly complete most enforcement actions on troubled privately owned subsidized housing within 120 days of referral. HUD will begin surveying its customers (e.g., Mayors, local HUD partners, public housing residents and other customers) to determine how well HUD is doing and advise HUD on where to improve. In 2000, HUD will

save \$200 million in overpayments of HUD rental and operating subsidies by cross checking with Social Security and other data bases for tenant income levels which determine both eligibility and tenants' rent levels.

17. Reform management of Indian trust funds: The Department of the Interior (DOI) is responsible for managing about \$3 billion of funds that the Federal Government holds in trust for Indian tribes and individual American Indians, as well as the underlying land, timber, and mineral assets from which these funds are derived. At the end of 1999, nearly all of the roughly 300,000 financial account jacket files managed by DOI for individual Indians had been cleaned up and 45 percent of these were successfully converted to a commercial grade accounting system. This effort is on track to meet the goal of converting all remaining accounts by May 2000. All Tribal accounts have been managed in a commercial grade system since 1995. In June 1999, DOI began piloting its Trust Asset and Accounting Management System in Billings, Montana, which will provide DOI field staff with the tools needed to properly manage tribal and individual Indians' land and natural resources. At this pilot site, trust asset data has been converted to the new system and the results are being evaluated. The current goal is to convert the remaining 213 sites to the new commercial system by December 2001. While initial success in DOI's Indian Land Consolidation pilot program will help sustain these management improvements by easing the paperwork burden of administering trust fund accounts, enactment of legislation to make this consolidation effort permanent is vitally important.

18. Implement Federal Aviation Administration (FAA) management reforms: The safety of the flying public depends upon the FAA—its air traffic controllers, safety and security inspectors, and information technology. There are three major management reform initiatives which will help the FAA improve its use of technology and prepare for future challenges: acquisition; financial; and, personnel reform. With respect to acquisition reform, FAA is in the process of implementing an effective, systematic process for selecting, controlling, and managing capital investments. On the financial reform side, the FAA con-

tinues to implement phases of a cost-accounting system which, when fully utilized, will provide information to both itself and its users about the value of the FAA's services and allow the agency to operate more like a business. Finally, the FAA continues to evaluate the success of its personnel reform efforts. In 2000, the FAA will link pay scales to market rates and implement a system which ties pay to the achievement of individual and agency performance targets. The agency will use its existing legislative authority to create a performance-based organization for Air Traffic Control (ATC) services; while the Administration calls upon Congress to provide the additional authority it needs to operate ATC as a business.

19. Implement IRS reforms: The IRS is modernizing its technology and organizational structure, in part as mandated by the IRS Restructuring and Reform Act of 1998, in order to ensure the fairness of tax administration and improve the IRS's customer service, productivity, and financial management. By the end of 2001, the IRS will be restructured around four major customer groups with similar filing and compliance characteristics (i.e., those with only wage and investment income, small businesses and self employed, large and mid-sized businesses, and tax exempt and government entities). Over time, this will enable the IRS to tailor staff expertise, services, and enforcement techniques to specific taxpayer groups. This will be the most significant restructuring of the IRS's organization and work practices since 1952. The IRS is also undertaking a technology modernization program which is designed to replace the IRS's 1960s era core databases with modern systems. This will enable significant improvements in technology support to customer service and compliance employees. It will also prepare the IRS for the wholesale transition to electronic filing and data exchange. The IRS is also implementing a series of initiatives to provide immediate customer service improvements. For example, it has expanded the hours when toll-free assistance is offered, set up four local citizen advocacy panels to ensure taxpayer input to local IRS officials, offered new electronic filing and payment options, and strengthened its taxpayer advocate service (which gives

taxpayers an option outside of normal IRS processes to resolve difficult issues). Its electronic filing system earned a 74 American Consumer Satisfaction Index (ACSI) score, placing it above the average customer satisfaction score for private sector services. During 2000, the IRS will build on these efforts with new initiatives directed at improving the responsiveness of customer service representatives, expanding Spanish language toll-free assistance, and enhancing outreach to new small businesses to help them better understand and meet their tax obligations.

20. Streamline the Social Security Administration's (SSA's) disability claims process: SSA is in the midst of a multi-year project to improve service delivery for the millions of individuals filing for, or appealing decisions on, claims for disability benefits. To increase accuracy and consistency in decision-making, the agency has provided all of its adjudicators uniform training and instructions clarifying complex policy areas, as well as instituting an improved quality assurance process. SSA is also testing a redesigned disability claims process on a prototype basis in 10 States. The new process will eliminate repetitive steps and increase claimant interaction with SSA at both the initial claim and hearing levels. If the prototype proves successful at providing claimants with the correct decision earlier in the process, nationwide implementation will occur beginning in 2002. Finally, management improvements scheduled to be fully implemented at the Office of Hearings and Appeals in 2001 are expected to reduce hearing processing times from an average of 316 days in 1999 to 208 days in 2002. The combined effect of all of these changes will be to improve the accuracy of initial decisions and provide a quicker and more user-friendly process for those claimants who pursue appeals.

21. Revolutionize DOD business affairs: Following the end of the Cold War, the United States began a major reduction in military forces. DOD's cuts in infrastructure costs, however, have not kept pace. To make further cuts, DOD plans to change the way it does business. The 1997 Defense Reform Initiative provided a strategic blueprint of how to adopt better business processes, pursue commercial alternatives, consolidate redundant

functions, and streamline organizations. Since the Defense Reform Initiative report, significant effort and progress has been made. Examples include:

- Competition forces organizations to improve quality, reduce costs, and focus on customers' needs. DOD employees perform many commercial activities which could benefit from competitive bidding. DOD expects its competitive sourcing process will save approximately \$11.2 billion from 1997 to 2005. These savings are reallocated to other defense priorities, including force modernization throughout the 2001–2005 period.
- The vast majority of official purchases are made with a special credit card—rather than wasting time and money writing a paper contract. From just less than 800,000 purchases made with the purchase card in 1994 to 7.5 million during 1998, the card truly has become the preferred method of obtaining goods and services costing less than \$2,500.
- Today, paper is still part of DOD's business systems and culture. The Department's goal is to make all contracting (i.e., weapons systems, spare parts, and installation level maintenance) paperless by 2001. Sixty-seven percent of the Department's transactions are currently paperless and the Department is well on its way to achieving its goal of 90 percent in the year 2000.
- In 1991, DOD was operating 324 separate finance and accounting systems. Through the summer of 1999, that number dropped to 102 systems; a 69-percent decrease. By 2003, the Department expects to reduce the number of systems to 32, representing the largest financial system overhaul ever undertaken by DOD.

22. Manage risks in building the International Space Station: The United States has the lead role in building the International Space Station, one of the most complex international projects ever undertaken in peacetime. The recent trend of annual budget growth has been curbed in the 2001 budget—a major success—but NASA must continue to manage the risks of completing assembly

and reduce the potential for future cost growth. In 1999, the first elements of the Space Station had a year of successful in-orbit operation, and the program made good progress, albeit slower than planned, in preparing many other key elements for launch. The year 2000 is critical for the Space Station—with plans for the beginning of permanent human presence in space, and the initiation of research aboard the orbiting laboratory. The program also continues the transition from development activities to orbital operations and research. The program will control cost growth by balancing requirements within available resources, and will continue to address cost and schedule performance problems in its key contracts, strengthen contract management and cost controls, and further reduce risks from potential Russian shortfalls.

23. Improve security and management of overseas presence: Since the end of the Cold War, the world's political, economic, and technological landscape has changed dramatically, but our country's overseas presence has not adequately adjusted to this new reality. Thirty Federal agencies now operate internationally, yet the condition of U.S. posts and missions abroad is unacceptable. In 1999, in the aftermath of the African embassy bombings, the Administration formed the Overseas Presence Advisory Panel to consider the future of our Nation's overseas representation, to appraise its condition, and to develop recommendations on how best to organize and manage our overseas posts. In 2000, the Administration will be working to ensure the thorough review and implementation, as appropriate, of the Panel's recommendations, including an examination of the U.S. Government's overseas needs and the current structure of financing and management for overseas facilities. We will also assess the need for additional security enhancements, including physical security upgrades, sound capital planning for the construction of new diplomatic and consular facilities, and begin to move toward a common information technology platform for all of our agencies abroad.

24. Reengineer the naturalization process and reduce the citizenship application backlog: Immigration and Naturalization Service (INS)

is reengineering the naturalization process to streamline and automate operations, while simultaneously reducing a backlog of more than 1.8 million applications for citizenship. In 1999, INS reduced the backlog by more than 500,000 applications and the average processing time between application and naturalization of qualified candidates has been reduced from 27 months in 1998 to 12 months in 1999. The goal is to reduce processing time to six months by the end of 2000.

Using Inter-Agency Groups to Get the Job Done

To achieve the Administration's goal of making fundamental change in the operations of Government, inter-agency groups have been used extensively to lead crosscutting efforts. These groups draw together operational, financial, procurement, integrity, labor-relations, and systems technology experts from across the Government. The groups establish Government-wide goals in their areas of expertise, and they marshal the resources within individual agencies to meet these goals. Several of these groups were formed for the first time by this Administration, including the National Partnership for Reinventing Government, the President's Management Council, and the National Partnership Council (see Table 31-3).

The National Partnership for Reinventing Government (NPR): President Clinton created the NPR in March 1993 to create a Government that works better, costs less, and gets results Americans care about. He asked Vice President Gore to lead this inter-agency task force. In 2000, NPR will continue its work to make agencies that have the most contact with the public to be more performance-based, results-oriented, and customer-driven. In doing this, NPR will partner with agencies to achieve the following outcomes:

- Customer satisfaction with Federal services equal to or better than the business services sector, as measured by the ACSI.
- An infrastructure to enable Americans to have access to all Government information and be able to conduct all major service transactions on line by 2003.

NPR will also work with local and State governments and the private sector to:

- achieve dramatic reductions in gun violence;
- help States achieve their goals of universal health insurance for children; and,
- provide all Americans a seamless learning and employment system to get the job skills they need to be successful in the 21st Century.

More information on NPR is available at its website, www.npr.gov.

The President's Management Council (PMC): The PMC consists of the Chief Operating Officers of all Federal departments and the largest agencies. The PMC provides leadership for the most important Government-wide reforms. Council priorities include: supporting labor-management partnerships; leading GPRA implementation; identifying criteria and recommending methods for agency restructuring; supporting electronic commerce and performance-based contracting; facilitating development of customer service standards; and, improving Federal energy efficiency.

The National Partnership Council (NPC): President Clinton established the NPC in October 1993 to enlist the Federal labor unions as allies to reinvention and to shift Federal labor relations from adversarial litigation to cooperative problem solving. Members of the NPC include: representatives of Federal employee unions and Federal managers and supervisors; the Federal Mediation and Conciliation Service; the Federal Labor Relations Authority; the Office of Personnel Management; OMB; DOD; and the Department of Labor. In 1999, the Council continued to sponsor training conferences aimed at helping unions and agencies build the skills they need to establish effective and successful partnerships. The Council also sponsored a major research project involving eight Federal agencies to study the connection between labor-management partnership and bottom-line improvements in agency performance. In 2001, the Council will continue to build on the findings of its research project and, through its training programs, focus on strategies that will both stimulate best practices and overcome barriers to partnership. More

information on the NPC can be found on its website, www.opm.gov/npc.

Table 31-3. Major Inter-Agency Groups

Council Names/Membership	Recent Activities/Future Priorities
<p>Chief Financial Officers (CFO) Council: The CFOs and Deputy CFOs of the 24 largest Federal agencies and senior officials from OMB and Treasury. The Council, through its Committees, addresses such issues as financial statements and standards; financial systems; grants; human resources; debt management; and entrepreneurial Government. <i>http://www.financenet.gov</i></p>	<p>Significant accomplishments include: a steady increase in the number of CFO Act agencies receiving clean opinions on their financial statements; timely issuance of the Government-wide audited financial statements for the second year in a row; the establishment of a Program Management Office under the Joint Financial Management Improvement Program to develop financial systems requirements and testing vehicles; and the development of qualification and classification standards for certain Federal financial positions based on core competencies and, the completion of a comprehensive review of the Franchise Fund pilot program.</p> <p>In 2000 and beyond, the Council intends to build on these accomplishments, continuing to seek clean audit opinions on agency, department and Government-wide financial statements; improvements in security and proficiency of financial management systems; and improvement in professional education and development of the Federal financial workforce. The Council also will support Administration efforts to seek permanence for the Franchise Fund pilot program.</p>
<p>Chief Information Officers (CIO) Council: The CIOs and Deputy CIOs for 28 major Federal agencies, two CIOs from small Federal agencies, senior officials from OMB and representatives from two information technology boards. The CIO Council develops recommendations for information technology management policy, procedures, and standards; identifies opportunities to share information resources; and assesses the Federal Government's needs for an information technology work force. <i>http://cio.gov</i></p>	<p>In 1999, Council accomplishments included the successful transition of Federal systems to year 2000; improved capital planning capabilities; efforts to further enterprise interoperability; pilots to implement work force core competencies; and, increased security awareness.</p> <p>In 2000, the Council intends to build on its progress promoting infrastructure to provide common access solutions; expand and explore opportunities for increased interaction and outreach with the worldwide IT community to disseminate and share information; support service delivery by working on security and privacy approaches that advance appropriate information access, exchanges, and protection, and support electronic commerce; develop and implement strategies for recruitment, retention, and development of IT professionals; and, promote the effective integration of IT management with agencies' missions and processes.</p>

Table 31-3. Major Inter-Agency Groups—Continued

Council Names/Membership	Recent Activities/Future Priorities
<p>President's Council on Integrity and Efficiency (PCIE): The Presidentially appointed Inspectors General (IGs), senior officials from OMB, and other key integrity officials.</p>	<p>1999 accomplishments include: identification of billions of dollars of Federal funds that could be reallocated to better use by Government managers; investigations resulting in successful prosecutions of thousands of wrongdoers; investigative and civil recoveries of more than \$1 billion; and, disqualification of thousands of unscrupulous businesses or individuals from receiving Government contracts or participating in Government programs. The IG's also collaborated on efforts to address emerging issues with systems security, to enhance financial management practices to enable clean opinions of audited agency financial statements, to continue to foster GPRA principles, bring to successful completion intensive year 2000 activities, and to strengthen and enhance inter-agency training academies for auditors and criminal investigators.</p>
<p>Executive Council on Integrity and Efficiency (ECIE): The 30 IGs appointed by agency heads, OMB, and other key integrity officials. http://www.ignet.gov</p>	<p>Priorities for 2000 include developing a strategic plan to focus the Council's efforts on major crosscutting issues to better leverage IG resources across the Government.</p>
<p>Electronic Processes Initiatives Committee (EPIC): Senior policy officials from DOD, GSA, Treasury and OMB. EPIC's role is to further the use of electronic technologies and processes within Government to improve service delivery and program efficiency. http://policyworks.gov/org/main/me/epic/</p>	<p>In 1999, EPIC helped implement the Government's strategic plan for electronic purchasing and payment. EPIC sponsored user groups to help resolve challenges in the implementation of the Government's SmartPay purchase and travel card program. EPIC also continued the development of a card-based approach for processing intra-governmental payments at lower cost.</p> <p>In 2000, EPIC will continue to monitor implementation of the Access America for Students initiative, which provides a one-stop shopping and information site for student loans. EPIC will also sponsor an effort to expand use of the Government's Central Contractor Registration, through which vendors can, in one place, register payment information and other data necessary to do business with the Federal Government.</p>
<p>Federal Credit Policy Working Group (FCPWG): Representatives from the major credit and debt collection agencies and OMB. The FCPWG provides advice and assistance to OMB, Treasury, and Justice in formulating and implementing Government-wide credit policy. http://www.financenet.gov/financenet/fed/fcpwg</p>	<p>In 1999, the FCPWG completed revisions to Government-wide policies to implement the Debt Collection Improvement Act, including a revision to Federal program write-off policy. With the support of the FCPWG, SBA completed its first loan asset sale program and HUD began centralizing its sale program. The GSA portfolio management schedule awarded over 50 contracts for work in asset valuation, due diligence, and loan sales.</p> <p>In 2000, the FCPWG will focus on Internet applications to improve customer access and modernize program financial systems, continue to build a government-wide loan asset sales program, and monitor the implementation of the Debt Collection Improvement Act, in particular referral of debt more than 180 days past due to the Treasury Department for collection.</p>

Table 31-3. Major Inter-Agency Groups—Continued

Council Names/Membership	Recent Activities/Future Priorities
<p>Procurement Executives Council (PEC): Senior procurement executives from major Federal agencies and senior OMB officials. The PEC serves as a forum to improve Federal acquisition by leveraging procurement influence and knowledge.</p>	<p>In 1999, specific accomplishments include: establishing a Government-wide Acquisition Intern Program; developing an inventory of desired skills and attributes of contracting professionals; and, developing draft guides for rotational assignments of contracting officers to industry organizations.</p> <p>By 2001, the PEC intends to improve the intern program; use the inventory of contracting officer skills and the rotational assignment guides to improve training; establish a set of agency acquisition system performance measures; improve small business procedures; and develop a single point on the Web that makes Government solicitations freely available to any interested entity.</p>
<p>Inter-agency Alternative Dispute Resolution Working Group (ADR): The Attorney General, representatives of the heads of all Cabinet Departments, and others with significant interest in Federal dispute resolution. President Clinton established the ADR Working Group in May 1998 to assist Government agencies in making greater use of consensual methods for resolving disputes, including mediation, neutral evaluation, arbitration, and other processes.</p> <p><i>http://www.financenet.gov/financenet/fed/iadrwg</i></p>	<p>In 1999, the Working Group conducted more than 50 Government-wide training sessions, meetings, and colloquia to promote and encourage the use of ADR in agencies.</p> <p>In 2000, the ADR Working Group will produce a detailed report on agency success stories, lessons-learned, best practices and recommendations, and it will continue to mentor agencies in the development of ADR programs.</p>
<p>Joint Financial Management Improvement Program (JFMIP): A joint effort of GAO, OMB, Treasury, and OPM, with a rotating representative from another agency. JFMIP was established 50 years ago to encourage and promote government-wide sharing and exchange of information concerning good financial management techniques and practices.</p> <p><i>http://www.financenet.gov/financenet/fed/jfmip/</i></p>	<p>In 1999, JFMIP published financial system requirements for Core Financial Management, Human Resources and Payroll, Direct Loans, and Travel, and prepared drafts for Seized Property and Forfeited Assets, Guaranteed Loans, Grants, and Property; established a testing and certification process for commercial off-the-shelf (COTS) software supporting core financial management functions; established a website that supports the testing process, including system requirements, the test, and information on tested and certified qualified COTS software; and issued guidance on core competencies in financial management.</p> <p>2000 priorities are to: prepare financial system requirement publications for financial management systems where publications do not exist or are outdated; continue testing COTS software supporting core financial management functions; offer testing for Federal agency systems that are used to provide core financial servicing for other agencies; incorporate new requirements in the core financial management software test; and share information on financial management systems and best practices through the web-based knowledge base.</p>

Table 31-3. Major Inter-Agency Groups—Continued

Council Names/Membership	Recent Activities/Future Priorities
<p>Small Agency Council (SAC): Principal management officials from 81 agencies with less than 5,000 FTE. The group was chartered to improve management effectiveness through education, exchange of information, self-help, and cooperation. <i>http://www.sac.gov</i></p>	<p>It speaks for the member agencies on a variety of issues and proposals with OMB, OPM, and GSA. It annually sponsors a comprehensive training program open to all member agencies, covering matters of current interest, such as Y2K, preparing annual performance reports, and alternative dispute resolution. In 1999 more than 1,500 attended these sessions.</p>
<p>Human Resources Technology Council (HRTC.) Under the sponsorship of OPM, the HRTC consists of human resources, information technology and Federal financial decision makers. The HRTC operates as a guiding body on government-wide information technology issues affecting personnel and payroll matters. <i>http://www.opm.gov/hrtc</i></p>	<p>In 1999, projects completed include an Official Personnel Folder Data Dictionary, and a Government-wide Human Resources Information Study (now formalized as a JFMIP Financial Systems Standard).</p> <p>In 2000 the HRTC will lead an effort to design and develop a Human Resources Data Network, recommended in the study noted above, which will facilitate the movement, storage and retrieval of HR data on employees, and will eliminate any future need for paper-based official personnel records.</p>

32. DETAILED FUNCTIONAL TABLES

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	70,649	73,692	75,801	78,449	80,390	83,085	85,585
Operation and maintenance	104,777	104,646	109,064	107,264	108,891	112,009	114,559
Procurement	50,920	54,208	60,272	63,021	66,710	67,652	70,931
Research, development, test and evaluation	38,290	38,357	37,863	38,371	37,564	37,452	36,361
Military construction	5,406	4,794	4,549	4,275	3,805	4,576	5,368
Family housing	3,591	3,597	3,484	3,708	3,863	3,983	4,085
Revolving, management and trust funds	937	1,624	1,136	778	741	450	459
Total, Department of De- fense—Military	274,570	280,918	292,169	295,866	301,964	309,207	317,348
Atomic energy defense activi- ties:							
Department of Energy	12,443	11,990	12,909	12,994	13,252	13,589	13,735
Proposed Legislation (non- PAYGO)			17	17	17	18	18
Subtotal, Department of Energy	12,443	11,990	12,926	13,011	13,269	13,607	13,753
Formerly utilized sites reme- dial action	140	150	140	140	142	145	148
Defense nuclear facilities safe- ty board	17	17	18	18	18	19	19
Total, Atomic energy de- fense activities	12,600	12,157	13,084	13,169	13,429	13,771	13,920
Defense-related activities:							
Discretionary programs	947	993	1,034	1,034	1,045	1,073	1,096
Total, Discretionary	288,117	294,068	306,287	310,069	316,438	324,051	332,364
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	4,822	358	322	341	342	342	341
Offsetting receipts	-994	-1,352	-1,404	-1,410	-1,374	-1,259	-1,274
Total, Department of De- fense—Military	3,828	-994	-1,082	-1,069	-1,032	-917	-933
Defense-related activities:							
Mandatory programs	202	209	216	228	239	252	261
Total, Mandatory	4,030	-785	-866	-841	-793	-665	-672
Total, National defense	292,147	293,283	305,421	309,228	315,645	323,386	331,692

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	1,719	1,765	2,012	2,012	2,035	2,087	2,133
Multilateral development banks (MDB's)	1,529	1,446	1,624	1,901	1,814	1,732	1,768
Assistance for the New Independent States	587	836	830	830	840	861	880
Food aid	1,011	800	837	837	847	868	887
Refugee programs	1,099	634	678	678	686	703	718
Assistance for Central and Eastern Europe	436	728	610	610	617	633	646
Voluntary contributions to international organizations ..	308	294	356	356	360	369	377
Peace Corps	256	244	275	275	278	285	291
Central America and Caribbean emergency disaster recovery fund	592	-10					
Other development and humanitarian assistance	1,440	1,805	1,340	1,346	1,362	1,396	1,425
Total, International development, humanitarian assistance	8,977	8,542	8,562	8,845	8,839	8,934	9,125
International security assistance:							
Foreign military financing grants and loans	3,400	4,820	3,538	3,538	3,581	3,669	3,749
Economic support fund	2,608	2,792	2,313	2,313	2,341	2,399	2,451
Other security assistance	409	423	501	501	508	520	531
Total, International security assistance	6,417	8,035	6,352	6,352	6,430	6,588	6,731
Conduct of foreign affairs:							
State Department operations ...	3,035	2,928	3,198	3,198	3,237	3,317	3,389
Foreign buildings	1,062	978	1,079	1,229	1,379	1,529	1,529
Assessed contributions to international organizations	934	880	946	946	957	981	1,003
Assessed contributions for international peacekeeping ...	219	605	739	739	748	766	783
Arrearage payment for international organizations and peacekeeping	475	351					
Other conduct of foreign affairs	168	121	138	138	139	143	147
Total, Conduct of foreign affairs	5,893	5,863	6,100	6,250	6,460	6,736	6,851
Foreign information and exchange activities:							
International broadcasting	397	404	448	448	453	465	474
Other information and exchange activities	808	262	283	283	286	292	300
Total, Foreign information and exchange activities	1,205	666	731	731	739	757	774

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
International financial programs:							
Export-Import Bank	812	796	1,010	1,015	1,032	1,061	1,088
Special defense acquisition fund	-8	8					
IMF new arrangements to borrow	3,450						
Other IMF	14,763						
Total, International financial programs	19,017	804	1,010	1,015	1,032	1,061	1,088
Total, Discretionary	41,509	23,910	22,755	23,193	23,500	24,076	24,569
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	17	-407	-419	-450	-465	-457	-441
Receipts and other	-19	-121	-56	-16	-16	-16	-16
Total, International development, humanitarian assistance	-2	-528	-475	-466	-481	-473	-457
International security assistance:							
Repayment of foreign military financing loans	-367						
Foreign military loan reestimates	5	189					
Foreign military loan liquidating account	-186	-590	-506	-403	-345	-275	-276
Total, International security assistance	-548	-401	-506	-403	-345	-275	-276
Foreign affairs and information:							
Conduct of foreign affairs	-2	14	3	3	3	3	3
U.S. Information Agency trust funds		-1	-1	-1	-1	-1	-1
Miscellaneous trust funds	2	2	2	2	2	3	3
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3
Total, Foreign affairs and information	3	18	7	7	7	8	8
International financial programs:							
Foreign military sales trust fund (net)	-2,912	-1,490	-30	150	180	70	200
Other international financial programs	-175	-906	-254	-67	-80	-81	-87
Total, International financial programs	-3,087	-2,396	-284	83	100	-11	113
Total, Mandatory	-3,634	-3,307	-1,258	-779	-719	-751	-612
Total, International affairs	37,875	20,603	21,497	22,414	22,781	23,325	23,957

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,612	3,834	4,510	4,515	4,566	4,677	4,779
Department of Energy general science programs	2,721	2,788	3,151	3,170	3,136	3,126	3,157
Total, General science and basic research	6,333	6,622	7,661	7,685	7,702	7,803	7,936
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,885	4,918	5,352	5,785	6,375	6,951	7,298
Human space flight	5,480	5,468	5,500	5,387	4,938	4,817	4,686
Mission support	2,075	2,164	2,226	2,299	2,432	2,498	2,550
Other NASA programs	20	20	22	23	24	25	25
Total, Space flight, research, and supporting activities	12,460	12,570	13,100	13,494	13,769	14,291	14,559
Total, Discretionary	18,793	19,192	20,761	21,179	21,471	22,094	22,495
Mandatory:							
General science and basic research:							
National Science Foundation donations	64	75	66	35	34	34	34
Total, General science, space, and technology	18,857	19,267	20,827	21,214	21,505	22,128	22,529
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,125	918	989	1,380	1,158	1,186	1,211
Naval petroleum reserves operations	14						
Uranium enrichment activities	220	260	291	291	295	302	308
Decontamination transfer	-398	-420	-420	-420	-425	-436	-445
Nuclear waste program	168	236	326	326	330	338	345
Federal power marketing	238	209	179	179	180	185	191
Rural electric and telephone discretionary loans	73	41	57	57	57	59	60
Non-defense environmental management and other	406	229	319	320	323	331	361
Total, Energy supply	1,846	1,473	1,741	2,133	1,918	1,965	2,031
Energy conservation and preparedness:							
Energy conservation	619	745	850	850	860	882	901
Emergency energy preparedness	160	146	151	158	160	164	167
Total, Energy conservation and preparedness	779	891	1,001	1,008	1,020	1,046	1,068

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	26	23	34	34	35	35	36
Federal Energy Regulatory Commission fees and recoveries, and other	-25	-21	-28	-28	-28	-29	-30
Department of Energy departmental administration, OIG, and EIA administration	237	203	195	195	197	202	206
Total, Energy information, policy, and regulation	238	205	201	201	204	208	212
Total, Discretionary	2,863	2,569	2,943	3,342	3,142	3,219	3,311
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	-18	-6	-6	-6			
Federal power marketing	-556	-549	-620	-733	-714	-818	-746
Tennessee Valley Authority	-366	-359	-813	-851	-834	-1,143	-1,229
Proceeds from uranium sales	-1						
Nuclear waste fund program	-662	-663	-550	-550	-550	-545	-535
Rural electric and telephone liquidating accounts	-112	-2,822	-1,910	-1,797	-1,543	-1,565	-1,471
Rural electric and telephone loan subsidy reestimates	-167						
Total, Mandatory	-1,882	-4,399	-3,899	-3,937	-3,641	-4,071	-3,981
Total, Energy	981	-1,830	-956	-595	-499	-852	-670
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,917	3,956	3,895	3,895	3,942	4,040	4,126
Proposed Legislation (non-PAYGO)			-5	-5	-5	-5	-5
Subtotal, Corps of Engineers	3,917	3,956	3,890	3,890	3,937	4,035	4,121
Bureau of Reclamation	781	767	800	800	810	829	849
Watershed, flood prevention, and other	229	208	139	139	140	144	149
Total, Water resources ...	4,927	4,931	4,829	4,829	4,887	5,008	5,119
Conservation and land management:							
Forest Service	2,738	2,634	2,980	2,980	3,015	3,092	3,157
Management of public lands (BLM)	1,091	1,170	1,196	1,185	1,200	1,228	1,257

Table 32–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Conservation of agricultural lands	692	673	783	783	792	812	830
Proposed Legislation (non-PAYGO)			-50				
Subtotal, Conservation of agricultural lands	692	673	733	783	792	812	830
Other conservation and land management programs	553	563	811	811	821	842	860
Proposed Legislation (non-PAYGO)			-10	-10	-10	-10	-11
Subtotal, Other conservation and land management programs	553	563	801	801	811	832	849
Total, Conservation and land management	5,074	5,040	5,710	5,749	5,818	5,964	6,093
Recreational resources:							
Operation of recreational resources	2,794	2,974	3,260	3,257	3,292	3,361	3,438
Other recreational resources activities	152	200	163	164	166	171	174
Total, Recreational resources	2,946	3,174	3,423	3,421	3,458	3,532	3,612
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,643	2,673	2,887	2,887	2,921	2,994	3,061
State and tribal assistance grants	3,408	3,446	2,907	2,907	2,943	3,016	3,081
Hazardous substance superfund	1,492	1,400	1,450	1,450	1,467	1,503	1,537
Other control and abatement activities	150	144	146	146	148	152	154
Proposed Legislation (non-PAYGO)			-20	-8	-8	-8	-8
Total, Pollution control and abatement	7,693	7,663	7,370	7,382	7,471	7,657	7,825
Other natural resources:							
NOAA	2,253	2,422	2,768	2,865	2,863	2,919	2,917
Proposed Legislation (non-PAYGO)			-34	-34	-34	-35	-36
Subtotal, NOAA	2,253	2,422	2,734	2,831	2,829	2,884	2,881
Other natural resource program activities	919	811	874	874	891	912	933
Total, Other natural resources	3,172	3,233	3,608	3,705	3,720	3,796	3,814
Total, Discretionary	23,812	24,041	24,940	25,086	25,354	25,957	26,463

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	-214	-121	-128	-123	-108	-144	-161
Legislative proposal, discretionary offset			-966	-963	-960	-996	-1,014
Total, Water resources ...	-214	-121	-1,094	-1,086	-1,068	-1,140	-1,175
Conservation and land management:							
Conservation Reserve Program and other	1,775	1,926	1,990	2,099	2,066	2,118	2,093
Farm safety net (Proposed Legislation PAYGO)			1,128	1,189	652	687	733
Other conservation programs ..	475	471	518	515	511	515	516
Proposed Legislation (PAYGO)			-26	-3	9	21	21
Subtotal, Other conservation programs	475	471	492	512	520	536	537
Offsetting receipts	-1,650	-2,321	-2,015	-2,048	-2,015	-2,056	-2,080
Proposed Legislation (non-PAYGO)			4	4	4	4	4
Proposed Legislation (PAYGO)			-40	-79	-138	-137	-144
Subtotal, Offsetting receipts	-1,650	-2,321	-2,051	-2,123	-2,149	-2,189	-2,220
Total, Conservation and land management	600	76	1,559	1,677	1,089	1,152	1,143
Recreational resources:							
Operation of recreational resources	893	941	951	817	844	865	899
Proposed Legislation (PAYGO)			34	187	202	220	229
Subtotal, Operation of recreational resources	893	941	985	1,004	1,046	1,085	1,128
Offsetting receipts	-379	-382	-396	-305	-282	-288	-298
Proposed Legislation (PAYGO)			-25	-131	-140	-154	-155
Subtotal, Offsetting receipts	-379	-382	-421	-436	-422	-442	-453
Total, Recreational resources	514	559	564	568	624	643	675

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Pollution control and abatement:							
Superfund resources and other mandatory	-264	-225	-174	-124	-124	-124	-124
Proposed Legislation (PAYGO)			150	150	150	150	150
Total, Pollution control and abatement	-264	-225	-24	26	26	26	26
Other natural resources:							
Fees and mandatory programs	-20	1	2	8	9	7	7
Proposed Legislation (non-PAYGO)			7				
Total, Other natural resources	-20	1	9	8	9	7	7
Total, Mandatory	616	290	1,014	1,193	680	688	676
Total, Natural resources and environment	24,428	24,331	25,954	26,279	26,034	26,645	27,139
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	451	486	455	455	460	472	482
P.L.480 market development activities	194	143	136	136	137	141	144
Administrative expenses	873	869	914	914	925	948	969
Total, Farm income stabilization	1,518	1,498	1,505	1,505	1,522	1,561	1,595
Agricultural research and services:							
Research programs	1,336	1,370	1,402	1,402	1,419	1,453	1,485
Extension programs	437	424	428	428	433	444	454
Marketing programs	50	53	69	69	70	71	73
Animal and plant inspection programs	433	443	517	517	430	430	430
Animal and plant inspection user fees (Proposed Legislation non-PAYGO)			-11	-11	-11	-11	-11
Economic intelligence	167	163	156	156	158	162	166
Grain inspection	27	26	34	34	34	34	34
Grain inspection user fees (Proposed Legislation non-PAYGO)			-19	-23	-23	-23	-23
Foreign agricultural service	147	109	114	114	115	118	121
Other programs and unallocated overhead	388	376	391	392	397	413	425
Total, Agricultural research and services	2,985	2,964	3,081	3,078	3,022	3,091	3,154
Total, Discretionary	4,503	4,462	4,586	4,583	4,544	4,652	4,749
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	18,996	26,592	13,238	8,861	7,671	6,342	5,363

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Farm safety net (Proposed Legislation PAYGO)		710	2,789	2,770			
Crop insurance and other farm credit activities	1,557	1,058	1,738	1,908	1,998	2,064	2,114
Farm safety net (Proposed Legislation PAYGO)			910	155			
Credit liquidating accounts (ACIF and FAC)	-1,042	-1,101	-1,108	-1,088	-1,067	-1,045	-1,019
Total, Farm income stabilization	19,511	27,259	17,567	12,606	8,602	7,361	6,458
Agricultural research and services:							
Miscellaneous mandatory programs	238	390	577	429	599	535	537
Offsetting receipts	-162	-156	-157	-157	-157	-157	-157
Total, Agricultural research and services	76	234	420	272	442	378	380
Total, Mandatory	19,587	27,493	17,987	12,878	9,044	7,739	6,838
Total, Agriculture	24,090	31,955	22,573	17,461	13,588	12,391	11,587
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	637	802	947	488	512	505	491
Government National Mortgage Association (GNMA)	-346	-332	-357	-357	-362	-371	-378
Other Housing and Urban Development	-149	-77	-471	-116	-117	-121	-123
Rural housing insurance fund	559	568	741	741	751	769	786
Proposed Legislation (non-PAYGO)			-40	-40	-40	-41	-42
Subtotal, Rural housing insurance fund	559	568	701	701	711	728	744
Total, Mortgage credit ...	701	961	820	716	744	741	734
Postal service:							
Payments to the Postal Service fund (On-budget)	29	100	93	96	29	30	31
Deposit insurance:							
National Credit Union Administration	2	1	1	1	1	1	1
Other advancement of commerce:							
Small and minority business assistance	559	612	793	793	802	822	841
Science and technology	683	659	743	743	751	770	788
Economic and demographic statistics	1,429	4,799	774	730	720	590	624

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Regulatory agencies	-128	-151	-118	-118	-121	-122	-127
Proposed Legislation (non-PAYGO)			2	2	2	2	2
Subtotal, Regulatory agencies	-128	-151	-116	-116	-119	-120	-125
International Trade Administration	301	307	357	357	361	370	378
Other discretionary	262	-62	-9	-9	-10	-11	-10
Total, Other advancement of commerce	3,106	6,164	2,542	2,498	2,505	2,421	2,496
Total, Discretionary	3,838	7,226	3,456	3,311	3,279	3,193	3,262
Mandatory:							
Mortgage credit:							
FHA General and Special Risk negative subsidies	-154	-146	-27	-111	-210	-28	-10
FHA mutual mortgage insurance receipts	-3,559			-3,708	-3,830	-4,199	-4,765
GNMA receipts		-6,189	-365	-401	-439	-479	-521
Mortgage credit reestimates	4,727						
Other credit liquidating accounts	-1,127	-837	1,018	-582	-461	-693	-891
Other mortgage credit activities	204						
Total, Mortgage credit ...	91	-7,172	626	-4,802	-4,940	-5,399	-6,187
Postal service:							
Postal Service (Off-budget)	5,607	5,516	1,575	1,477	325	-786	-256
Deposit insurance:							
Bank Insurance Fund	-12	-25	-26	-26	-26	-26	-26
Proposed Legislation (non-PAYGO)			-4	-9	-16	-23	-32
Legislative proposal, discretionary offset			-92	-96	-102	-106	-111
Subtotal, Bank Insurance Fund	-12	-25	-122	-131	-144	-155	-169
FSLIC Resolution Fund	-16	-4	-4	-4	-4	-4	-4
Savings Association Insurance Fund	-1	-4	-4	-4	-4	-4	-4
Other deposit insurance activities	28	34	34	35	36	37	38
Total, Deposit insurance	-1	1	-96	-104	-116	-126	-139
Other advancement of commerce:							
Universal Service Fund	3,752	4,616	4,897	5,474	6,113	6,783	7,482
Payments to copyright owners	243	180	212	212	232	255	240
Spectrum auction subsidy	1,409						
Regulatory fees	-24	-24	-24	-24	-24	-24	-24
Credit liquidating accounts	6	4	1	1	1	1	1
Business loan program, subsidy reestimate	-695	-301					

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other mandatory	127	112	108	109	100	101	103
Total, Other advance- ment of commerce	4,818	4,587	5,194	5,772	6,422	7,116	7,802
Total, Mandatory	10,515	2,932	7,299	2,343	1,691	805	1,220
Total, Commerce and housing credit	14,353	10,158	10,755	5,654	4,970	3,998	4,482
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	332	3					
State infrastructure banks	-7						
Highway safety	90	88	144	144	146	149	153
Mass transit	-370	2		22	23	22	23
Railroads	776	739	710	710	717	716	731
Proposed Legislation (non- PAYGO)			-103	-103	-104	-107	-110
Subtotal, Railroads	776	739	607	607	613	609	621
Regulation	15	15	17	17	17	18	18
Proposed Legislation (non- PAYGO)			-17	-17	-17	-18	-18
Subtotal, Regulation	15	15					
Total, Ground transpor- tation	836	847	751	773	782	780	797
Air transportation:							
Airports and airways (FAA)	7,856	8,094	9,271	9,576	9,987	10,525	11,202
Aeronautical research and technology	1,194	1,031	935	971	1,000	1,014	1,014
Payments to air carriers	-4						
Total, Air transportation	9,046	9,125	10,206	10,547	10,987	11,539	12,216
Water transportation:							
Marine safety and transpor- tation	3,449	2,942	3,414	3,414	3,455	3,541	3,618
Proposed Legislation (non- PAYGO)			-212	-636	-643	-660	-674
Subtotal, Marine safety and transportation	3,449	2,942	3,202	2,778	2,812	2,881	2,944
Ocean shipping	90	110	115	115	116	119	122
Proposed Legislation (non- PAYGO)			-13	-13	-13	-13	-14
Subtotal, Ocean shipping ..	90	110	102	102	103	106	108
Total, Water transpor- tation	3,539	3,052	3,304	2,880	2,915	2,987	3,052

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other transportation:							
Department of Transportation administration and other	252	262	279	279	283	290	295
Proposed Legislation (non-PAYGO)			-15	-15	-15	-15	-16
Total, Other transportation	252	262	264	264	268	275	279
Total, Discretionary	13,673	13,286	14,525	14,464	14,952	15,581	16,344
Mandatory:							
Ground transportation:							
Highways	29,357	31,626	34,075	31,256	31,272	31,882	32,505
Highway safety	372	460	635	571	581	593	605
Mass transit	5,364	5,797	6,343	6,746	7,225	7,369	7,517
Offsetting receipts and credit subsidy reestimates	-44	-86	-21	-21	-21	-21	-21
Credit liquidating accounts	-29	-30	439	-29	-29	-29	-29
Total, Ground transportation	35,020	37,767	41,471	38,523	39,028	39,794	40,577
Air transportation:							
Airports and airways (FAA)	2,322	1,896	1,950	1,999	2,050	2,103	2,158
Payments to air carriers		5	22	22	22	22	22
Total, Air transportation	2,322	1,901	1,972	2,021	2,072	2,125	2,180
Water transportation:							
Coast Guard retired pay	684	730	778	825	877	926	978
Other water transportation programs	-84	72	-5	-7	68	68	68
Proposed Legislation (PAYGO)			13	13	14	15	15
Subtotal, Other water transportation programs	-84	72	8	6	82	83	83
Total, Water transportation	600	802	786	831	959	1,009	1,061
Other transportation:							
Sale of Governors Island				-340			
Other mandatory transportation programs	-29	-31	-34	-35	-36	-36	-37
Total, Other transportation	-29	-31	-34	-375	-36	-36	-37
Total, Mandatory	37,913	40,439	44,195	41,000	42,023	42,892	43,781
Total, Transportation	51,586	53,725	58,720	55,464	56,975	58,473	60,125

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	4,893	4,781	4,895	4,895	4,954	5,077	5,188
Proposed Legislation (non-PAYGO)			5	5	5	5	5
Subtotal, Community development block grant ...	4,893	4,781	4,900	4,900	4,959	5,082	5,193
Community development loan guarantees	30	30	30	30	30	31	32
Community adjustment and investment program	9	10	10	10	10	10	11
Community development financial institutions	95	95	125	125	127	130	132
Brownfields redevelopment	25	25	50	50	51	52	53
Other community development programs	434	424	507	507	513	524	536
Total, Community development	5,486	5,365	5,622	5,622	5,690	5,829	5,957
Area and regional development:							
Rural development	931	890	947	947	957	982	1,003
Economic Development Administration	413	413	447	447	452	463	474
Regional connections Proposed Legislation (non-PAYGO)			25	25	25	26	26
Indian programs	1,007	1,169	1,467	1,467	1,484	1,521	1,554
Appalachian Regional Commission	66	66	71	71	72	74	75
Tennessee Valley Authority	50						
Denali commission	20	30	30	30	30	31	32
Delta Regional Authority (Proposed Legislation non-PAYGO)			30	30	30	31	32
Total, Area and regional development	2,487	2,568	3,017	3,017	3,050	3,128	3,196
Disaster relief and insurance:							
Disaster relief	2,114	2,765	2,906	2,906	2,941	3,014	3,080
Small Business Administration disaster loans	298	326	296	296	300	307	314
Other disaster assistance programs	642	469	486	486	491	503	515
Total, Disaster relief and insurance	3,054	3,560	3,688	3,688	3,732	3,824	3,909
Total, Discretionary	11,027	11,493	12,327	12,327	12,472	12,781	13,062
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs			1				

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Urban empowerment zones (Proposed Legislation PAYGO)			150	150	150	150	150
Total, Community devel- opment		1	150	150	150	150	150
Area and regional develop- ment:							
Indian programs	576	184	152	157	162	168	173
Rural development programs ...	98	47	66	38	36	36	36
Rural empowerment zones / en- terprise communities (Pro- posed Legislation PAYGO) ...			15	15	15	15	15
Credit liquidating accounts	-80	-3	19	1,359	-99	315	-126
Offsetting receipts	-376	-189	-139	-143	-148	-152	-157
Total, Area and regional development	218	39	113	1,426	-34	382	-59
Disaster relief and insurance:							
National flood insurance fund	-134	-236	-292	-20	-20	-20	-20
National flood mitigation fund	20	20	20	20	20	20	20
Radiological emergency pre- paredness fees	-2						
Disaster loans program ac- count	337	68					
SBA disaster loan subsidy re- estimates	-10						
Credit liquidating accounts	-163	-166	-74				
Total, Disaster relief and insurance	48	-314	-346				
Total, Mandatory	266	-274	-83	1,576	116	532	91
Total, Community and re- gional development	11,293	11,219	12,244	13,903	12,588	13,313	13,153
500 Education, training, employ- ment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	1,314	1,765	2,073	2,073	2,098	2,150	2,197
Education for the disadvan- tagged	3,670	8,701	9,150	9,150	9,185	9,259	9,327
Impact aid	864	906	770	770	779	798	816
School improvement	2,811	1,492	3,917	3,917	3,945	4,006	4,061
Bilingual and immigrant edu- cation	380	406	460	460	466	477	488
Special education	5,334	2,294	6,369	6,369	6,401	6,466	6,526
Vocational and adult education	1,539	891	1,751	1,751	1,762	1,786	1,808
Reading excellence	260	65	286	286	287	289	291
Indian education	678	647	731	731	739	758	775
School renovation			1,300	1,300	1,316	1,348	1,377
Other	9	10	10	10	10	10	11
Total, Elementary, sec- ondary, and vocational education	16,859	17,177	26,817	26,817	26,988	27,347	27,677

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Higher education:							
Student financial assistance	9,348	9,375	10,258	10,258	10,509	10,771	11,007
Higher education	1,310	1,529	1,756	1,756	1,777	1,821	1,861
Proposed Legislation (non-PAYGO)			40	40	40	41	42
Subtotal, Higher education	1,310	1,529	1,796	1,796	1,817	1,862	1,903
Federal family education loan program	47	48	48	48	49	50	51
Other higher education programs	349	348	388	388	393	402	410
Proposed Legislation (non-PAYGO)			1	1	1	1	1
Subtotal, Other higher education programs	349	348	389	389	394	403	411
Total, Higher education	11,054	11,300	12,491	12,491	12,769	13,086	13,372
Research and general education aids:							
Library of Congress	296	302	340	354	365	375	387
Public broadcasting	301	352	470	495	483	419	429
Smithsonian institution	514	546	583	583	590	605	618
Education research, statistics, and improvement	657	591	503	503	509	522	533
Other	795	812	972	972	984	1,008	1,029
Proposed Legislation (non-PAYGO)			2	2	2	2	2
Subtotal, Other	795	812	974	974	986	1,010	1,031
Total, Research and general education aids	2,563	2,603	2,870	2,909	2,933	2,931	2,998
Training and employment:							
Training and employment services	5,278	2,991	6,106	6,106	6,180	6,332	6,471
Proposed Legislation (non-PAYGO)			-105	-105	-106	-109	-111
Subtotal, Training and employment services	5,278	2,991	6,001	6,001	6,074	6,223	6,360
Older Americans employment ..	440	440	440	440	445	456	466
Federal-State employment service	1,252	1,252	1,332	1,332	1,348	1,382	1,412
Proposed Legislation (non-PAYGO)			-33	-33	-33	-34	-35
Subtotal, Federal-State employment service	1,252	1,252	1,299	1,299	1,315	1,348	1,377
Other employment and training	97	101	111	111	112	115	117
Total, Training and employment	7,067	4,784	7,851	7,851	7,946	8,142	8,320

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other labor services:							
Labor law, statistics, and other administration	1,128	1,243	1,504	1,504	1,522	1,558	1,594
Social services:							
National Service	716	652	852	852	862	884	903
Children and families services programs	6,029	5,328	7,672	7,672	7,764	7,958	8,131
Aging services program	882	933	1,084	1,084	1,097	1,124	1,149
Other	350	370	402	402	407	417	426
Total, Social services	7,977	7,283	10,010	10,010	10,130	10,383	10,609
Total, Discretionary	46,648	44,390	61,543	61,582	62,288	63,447	64,570
Mandatory:							
Higher education:							
Federal family education loan program	3,332	4,507	4,004	3,133	3,967	3,582	3,775
Proposed Legislation (PAYGO)				-495	-503	-326	-344
Legislative proposal, discretionary offset			-2,553				
Subtotal, Federal family education loan program	3,332	4,507	1,451	2,638	3,464	3,256	3,431
Federal direct loan program	-102	-2,697	163	288	287	482	595
Other higher education programs	-54	-40	-40	-40	-40	-40	-40
Proposed Legislation (non-PAYGO)			1	1	1	1	1
Legislative proposal, discretionary offset							-1
Subtotal, Other higher education programs	-54	-40	-39	-39	-39	-39	-40
Credit liquidating account (Family education loan program)	-550	-693	-619	-528	-427	-331	-247
Proposed Legislation (non-PAYGO)			21	19	15	10	7
Subtotal, Credit liquidating account (Family education loan program)	-550	-693	-598	-509	-412	-321	-240
Total, Higher education	2,626	1,077	977	2,378	3,300	3,378	3,746
Research and general education aids:							
Mandatory programs	25	46	44	20	19	19	20
Training and employment:							
Trade adjustment assistance ...	131	132	132	94	95	95	95
Proposed Legislation (PAYGO)			23	61	62	63	64
Subtotal, Trade adjustment assistance	131	132	155	155	157	158	159

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Welfare to work grants	1,488	-137					
Proposed Legislation (PAYGO)		-50					
Subtotal, Welfare to work grants	1,488	-187					
Other training and employ- ment	41	50	48				
Total, Training and em- ployment	1,660	-5	203	155	157	158	159
Other labor services:							
Other labor services	5	5	5				
Social services:							
Payments to States for foster care and adoption assistance Proposed Legislation (PAYGO)	4,922	5,697	6,401	6,944	7,544	8,212	8,954
Subtotal, Payments to States for foster care and adoption assistance	4,922	5,697	6,406	6,944	7,544	8,212	8,954
Family support and preserva- tion	275	295	305	305	305	305	305
Social services block grant	1,909	1,775	1,700	1,700	1,700	1,700	1,700
Proposed Legislation (PAYGO)			75				
Subtotal, Social services block grant	1,909	1,775	1,775	1,700	1,700	1,700	1,700
Rehabilitation services	2,304	2,339	2,400	2,455	2,516	2,581	2,649
Other social services	26	19	20	32	32	32	32
Total, Social services	9,436	10,125	10,906	11,436	12,097	12,830	13,640
Total, Mandatory	13,752	11,248	12,135	13,989	15,573	16,385	17,565
Total, Education, training, employment, and social services	60,400	55,638	73,678	75,571	77,861	79,832	82,135
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,487	2,652	2,823	2,823	2,857	2,928	2,992
Indian health	2,240	2,391	2,620	2,626	2,633	2,699	2,759
Health Resources and Services Administration	3,810	4,234	4,496	4,496	4,673	4,783	4,884
Disease control, research, and training	2,379	2,715	2,970	2,885	2,921	2,953	3,021
Departmental management and other	822	946	583	583	589	605	617
Total, Health care serv- ices	11,738	12,938	13,492	13,413	13,673	13,968	14,273

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Health research and training:							
National Institutes of Health ...	15,607	17,793	18,813	18,813	19,039	19,511	19,938
Clinical training	307	344	299	299	303	309	317
Other health research and training	327	358	269	269	272	279	285
Total, Health research and training	16,241	18,495	19,381	19,381	19,614	20,099	20,540
Consumer and occupational health and safety:							
Food safety and inspection	617	649	688	688	688	688	688
Food safety and inspection user fees (Proposed Legislation non-PAYGO)			-534	-641	-649	-665	-679
Occupational safety and health FDA and Consumer Products Safety Commission salaries and expenses	586	623	684	684	692	709	724
Total, Consumer and oc- cupational health and safety	1,027	1,098	1,240	1,240	1,229	1,259	1,287
Total, Consumer and oc- cupational health and safety	2,230	2,370	2,078	1,971	1,960	1,991	2,020
Total, Discretionary	30,209	33,803	34,951	34,765	35,247	36,058	36,833
Mandatory:							
Health care services:							
Medicaid grants	102,395	115,000	124,175	133,968	144,900	156,610	169,763
Proposed Legislation (PAYGO)			663	1,830	4,509	7,020	8,451
Subtotal, Medicaid grants	102,395	115,000	124,838	135,798	149,409	163,630	178,214
State children's health insur- ance fund	4,247	4,259	4,249	3,115	3,175	3,175	4,082
Proposed Legislation (PAYGO)			212	422	726	1,029	1,326
Subtotal, State children's health insurance fund	4,247	4,259	4,461	3,537	3,901	4,204	5,408
Long-term care tax credit (Pro- posed Legislation PAYGO) ...			8	72	98	134	163
Federal employees' and retired employees' health benefits	4,591	4,972	5,404	5,835	6,286	6,869	7,536
Proposed Legislation (non- PAYGO)			-73	-105	-114	-124	-136
Subtotal, Federal employ- ees' and retired employ- ees' health benefits	4,591	4,972	5,331	5,730	6,172	6,745	7,400
UMWA Funds (coal miner re- tiree health)	230	183	205	188	179	171	164
Proposed Legislation (PAYGO)			49	47	46	45	43
Subtotal, UMWA Funds (coal miner retiree health)	230	183	254	235	225	216	207

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other mandatory health services activities	463	388	506	495	432	453	474
Proposed Legislation (PAYGO)			10				
Subtotal, Other mandatory health services activities	463	388	516	495	432	453	474
Total, Health care services	111,926	124,802	135,408	145,867	160,237	175,382	191,866
Health research and safety:							
Health research and training ..	64	42	37	37	9	7	5
Proposed Legislation (PAYGO)			250	490	10		
Subtotal, Health research and training	64	42	287	527	19	7	5
Consumer and occupational health and safety			-1	-1	-1	-1	-1
Total, Health research and safety	64	42	286	526	18	6	4
Total, Mandatory	111,990	124,844	135,694	146,393	160,255	175,388	191,870
Total, Health	142,199	158,647	170,645	181,158	195,502	211,446	228,703
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,297	1,361	1,425	1,425	1,442	1,478	1,511
Proposed Legislation (non-PAYGO)			-74	-74	-75	-77	-78
Subtotal, Hospital insurance (HI) administrative expenses	1,297	1,361	1,351	1,351	1,367	1,401	1,433
Supplementary medical insurance (SMI) administrative expenses	1,506	1,706	1,772	1,772	1,793	1,837	1,878
Proposed Legislation (non-PAYGO)			-146	-146	-148	-151	-155
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,506	1,706	1,626	1,626	1,645	1,686	1,723
Total, Discretionary	2,803	3,067	2,977	2,977	3,012	3,087	3,156
Mandatory:							
Medicare:							
Hospital insurance (HI)	129,576	132,469	143,325	147,643	157,752	165,657	179,188
Proposed Legislation (PAYGO)			-185	1,702	-4,033	-3,265	-4,946
Subtotal, Hospital insurance (HI)	129,576	132,469	143,140	149,345	153,719	162,392	174,242

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Supplementary medical insurance (SMI)	79,032	88,034	97,010	100,467	111,151	118,801	130,330
Proposed Legislation (PAYGO)			-685	1,134	9,355	20,729	24,724
Subtotal, Supplementary medical insurance (SMI)	79,032	88,034	96,325	101,601	120,506	139,530	155,054
Health care fraud and abuse control	764	864	950	1,010	1,075	1,075	1,075
Medicare premiums, collections, and interfun- ds	-21,550	-18,130	-23,368	-25,427	-27,821	-30,427	-33,095
Proposed Legislation (PAYGO)			180	-226	-8,052	-10,921	-13,703
Subtotal, Medicare pre- miums, collections, and interfun- ds	-21,550	-18,130	-23,188	-25,653	-35,873	-41,348	-46,798
Solvency payment (Proposed Legislation non-PAYGO)			15,400	12,600			
Solvency receipt (Proposed Leg- islation non-PAYGO)			-15,400	-12,600			
Total, Mandatory	187,822	203,237	217,227	226,303	239,427	261,649	283,573
Total, Medicare	190,625	206,304	220,204	229,280	242,439	264,736	286,729
600 Income security:							
Discretionary:							
General retirement and dis- ability insurance:							
Railroad retirement	285	269	258	258	261	267	274
Pension Benefit Guaranty Cor- poration	11	11	12	12	12	12	13
Pension and Welfare Benefits Administration and other	92	101	110	110	111	114	116
Total, General retire- ment and disability in- surance	388	381	380	380	384	393	403
Federal employee retirement and disability:							
Civilian retirement and dis- ability program administra- tive expenses	80	85	92	92	93	95	97
Armed forces retirement home	71	68	70	70	71	72	75
Total, Federal employee retirement and dis- ability	151	153	162	162	164	167	172
Unemployment compensation:							
Unemployment programs ad- ministrative expenses	2,338	2,270	2,364	2,364	2,392	2,452	2,505
Housing assistance:							
Public housing operating fund	2,818	3,138	3,192	3,192	3,230	3,310	3,383
Public housing capital fund	3,000	2,869	2,955	2,955	2,991	3,064	3,132
Subsidized, public, homeless and other HUD housing	13,907	10,358	20,287	20,287	20,529	21,040	21,499

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Rural housing assistance	652	729	795	795	803	824	842
Total, Housing assistance	20,377	17,094	27,229	27,229	27,553	28,238	28,856
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,924	4,032	4,148	4,148	4,198	4,302	4,396
Other nutrition programs	484	517	624	624	632	648	662
Total, Food and nutrition assistance	4,408	4,549	4,772	4,772	4,830	4,950	5,058
Other income assistance:							
Refugee assistance	481	454	433	433	438	449	459
Low income home energy assistance	1,277	1,400	1,400	1,400	1,417	1,452	1,484
Child care and development block grant	1,000	1,183	2,000	2,000	2,024	2,074	2,120
Supplemental security income (SSI) administrative expenses	2,321	2,360	2,592	2,592	2,623	2,689	2,747
Total, Other income assistance	5,079	5,397	6,425	6,425	6,502	6,664	6,810
Total, Discretionary	32,741	29,844	41,332	41,332	41,825	42,864	43,804
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,248	4,410	4,612	4,593	4,689	4,802	4,915
Special benefits for disabled coal miners	1,032	1,010	955	916	869	822	776
Pension Benefit Guaranty Corporation	-11	-11	-12	-12	-12	-13	-13
District of Columbia pension funds	234	243	250	260	268	276	285
Proceeds from sale of DC retirement fund assets	-3,398						
Special workers' compensation program	142	160	151	153	154	154	154
Total, General retirement and disability insurance	2,247	5,812	5,956	5,910	5,968	6,041	6,117

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	44,437	46,122	48,289	50,634	53,276	56,177	59,320
Proposed Legislation (non-PAYGO)			27	64	49	11	-3
Proposed Legislation (PAYGO)			-2	-8	-12	-15	-18
Subtotal, Federal civilian employee retirement and disability	44,437	46,122	48,314	50,690	53,313	56,173	59,299
Military retirement	31,986	33,041	34,016	34,971	35,949	36,946	37,950
Federal employees workers' compensation (FECA)	180	81	59	70	79	99	118
Federal employees life insurance fund	29	31	33	34	35	37	38
Total, Federal employee retirement and disability	76,632	79,275	82,422	85,765	89,376	93,255	97,405
Unemployment compensation:							
Unemployment insurance programs	21,157	21,566	24,361	28,488	31,712	33,002	34,185
Trade adjustment assistance ...	230	283	275	249	227	235	243
Proposed Legislation (PAYGO)			24	46	56	57	59
Subtotal, Trade adjustment assistance	230	283	299	295	283	292	302
Total, Unemployment compensation	21,387	21,849	24,660	28,783	31,995	33,294	34,487
Housing assistance:							
Mandatory housing assistance programs	25	40	40	30	30	30	30
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	21,232	21,067	22,104	23,216	24,256	25,110	25,917
Proposed Legislation (PAYGO)			24	96	223	371	367
Subtotal, Food stamps (including Puerto Rico)	21,232	21,067	22,128	23,312	24,479	25,481	26,284
State child nutrition programs	9,179	9,545	9,533	10,489	10,939	11,439	11,958
Proposed Legislation (PAYGO)			-1	-22	-26	-31	-36
Subtotal, State child nutrition programs	9,179	9,545	9,532	10,467	10,913	11,408	11,922

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Funds for strengthening markets, income, and supply (Sec.32)	733	730	538	538	538	538	538
Total, Food and nutrition assistance	31,144	31,342	32,198	34,317	35,930	37,427	38,744
Other income support:							
Supplemental security income (SSI)	28,113	29,260	30,561	31,904	33,269	34,673	38,695
Proposed Legislation (PAYGO)		2,190	-2,190	23	98	207	376
Legislative proposal, discretionary offset				-311			
Subtotal, Supplemental security income (SSI)	28,113	31,450	28,371	31,616	33,367	34,880	39,071
Family support payments	2,649	1,033	3,092	3,349	3,606	3,883	4,097
Proposed Legislation (PAYGO)			32	33	33	33	32
Subtotal, Family support payments	2,649	1,033	3,124	3,382	3,639	3,916	4,129
Federal share of child support collections	-868	-851	-850	-820	-865	-874	-853
Proposed Legislation (PAYGO)			-22	-14	16	24	21
Subtotal, Federal share of child support collections	-868	-851	-872	-834	-849	-850	-832
Temporary assistance for needy families and related programs	17,693	16,689	16,679	16,679	16,679	16,679	16,679
Legislative proposal, discretionary offset			-240				
Subtotal, Temporary assistance for needy families and related programs	17,693	16,689	16,439	16,679	16,679	16,679	16,679
Child care entitlement to states	2,167	2,367	2,567	2,717	2,717	2,717	2,717
Proposed Legislation (PAYGO)			600	600	600	600	600
Subtotal, Child care entitlement to states	2,167	2,367	3,167	3,317	3,317	3,317	3,317
Earned income tax credit (EITC)	25,632	25,676	25,799	26,876	27,638	28,701	29,722
Proposed Legislation (PAYGO)			15	304	314	326	339
Subtotal, Earned income tax credit (EITC)	25,632	25,676	25,814	27,180	27,952	29,027	30,061
Child tax credit	445	550	520	505	460	450	420

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Child and dependent care tax credit (Proposed Legislation PAYGO)						1,427	1,501
Other assistance	52	39	58	59	59	61	61
Proposed Legislation (PAYGO)			1			-1	-1
Subtotal, Other assistance	52	39	59	59	59	60	60
SSI recoveries and receipts	-1,479	-1,548	-1,612	-1,679	-1,745	-1,814	-2,009
Total, Other income support	74,404	75,405	75,010	80,225	82,879	87,092	92,397
Total, Mandatory	205,839	213,723	220,286	235,030	246,178	257,139	269,180
Total, Income security	238,580	243,567	261,618	276,362	288,003	300,003	312,984
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI) administrative expenses (Off-budget)	1,738	1,747	1,900	1,900	1,922	1,970	2,014
Disability insurance (DI) administrative expenses (Off-budget)	1,406	1,413	1,534	1,534	1,552	1,591	1,625
Office of the Inspector General—Social Security Adm. (On-budget)	12	15	17	18	18	19	19
Total, Discretionary	3,156	3,175	3,451	3,452	3,492	3,580	3,658
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	337,136	350,286	366,084	381,082	398,100	416,458	436,438
Proposed Legislation (non-PAYGO)			-231	-210	-131	-103	-96
Subtotal, Old-age and survivors insurance (OASI)(Off-budget)	337,136	350,286	365,853	380,872	397,969	416,355	436,342
Disability insurance (DI)(Off-budget)	50,812	54,566	58,888	63,648	69,118	75,328	82,062
Proposed Legislation (non-PAYGO)			-40	-47	-41	-42	-42
Subtotal, Disability insurance (DI)(Off-budget)	50,812	54,566	58,848	63,601	69,077	75,286	82,020
Quinquennial OASI and DI adjustments (On-budget)			-1,152				
Intragovernmental transactions (On-budget)	10,830	11,663	10,985	11,494	12,048	12,813	13,725

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Intragovernmental trans- actions (Off-budget)	-10,824	-11,663	-10,985	-11,494	-12,048	-12,813	-13,725
Total, Mandatory	387,954	404,852	423,549	444,473	467,046	491,641	518,362
Total, Social security	391,110	408,027	427,000	447,925	470,538	495,221	522,020
700 Veterans benefits and serv- ices:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans		3	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Discretionary change to read- justment benefits account			-30	-30	-30	-31	-32
Veterans employment and training			22	22	22	23	23
Total, Veterans edu- cation, training, and rehabilitation	1	1	-7	-7	-7	-7	-8
Hospital and medical care for veterans:							
Medical care and hospital serv- ices	18,199	19,879	21,276	21,275	21,531	22,063	22,546
Collections for medical care	-574	-600	-958	-957	-967	-992	-1,013
Construction of medical facili- ties	407	315	284	284	288	294	302
Total, Hospital and med- ical care for veterans ..	18,032	19,594	20,602	20,602	20,852	21,365	21,835
Veterans housing:							
Housing program loan admin- istrative expenses	160	158	167	167	169	173	177
Other veterans benefits and services:							
National Cemetery Administra- tion	92	97	110	110	111	114	117
General operating expenses	882	941	1,062	1,062	1,075	1,101	1,126
Other operating expenses	94	119	125	125	126	130	133
Total, Other veterans benefits and services ..	1,068	1,157	1,297	1,297	1,312	1,345	1,376
Total, Discretionary	19,261	20,913	22,061	22,061	22,328	22,878	23,382
Mandatory:							
Income security for veterans:							
Compensation	18,663	18,375	19,567	20,340	20,988	21,656	22,325
Proposed Legislation (non- PAYGO)			345	769	1,243	1,725	2,216
Proposed Legislation (PAYGO)		1,800	-1,795	5	-11	-29	-48
Subtotal, Compensation	18,663	20,175	18,117	21,114	22,220	23,352	24,493

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Pensions	3,085	3,063	3,066	3,066	3,566	3,586	3,629
Proposed Legislation (PAYGO)					-6		
Subtotal, Pensions	3,085	3,063	3,066	3,066	3,560	3,586	3,629
Burial benefits and miscella- neous assistance	109	135	142	136	137	138	137
National service life insurance trust fund	1,249	1,301	1,292	1,300	1,298	1,298	1,287
All other insurance programs ..	38	50	42	45	59	66	70
Insurance program receipts	-210	-191	-180	-169	-158	-146	-134
Total, Income security for veterans	22,934	24,533	22,479	25,492	27,116	28,294	29,482
Veterans education, training, and rehabilitation:							
Readjustment benefits (Mont- gomery GI Bill and other re- lated programs)	1,175	1,469	1,664	1,674	1,664	1,665	1,683
Post-Vietnam era education	-1				-1		
All-volunteer force educational assistance trust fund	-186	-254	-261	-252	-239	-227	-213
Total, Veterans edu- cation, training, and rehabilitation	988	1,215	1,403	1,422	1,424	1,438	1,470
Hospital and medical care for veterans:							
Fees, charges and other man- datory medical care						1	
Veterans housing:							
Housing program loan sub- sidies	1,392	1,355	166	139	320	342	349
Proposed Legislation (PAYGO)					-168	-167	-176
Subtotal, Housing program loan subsidies	1,392	1,355	166	139	152	175	173
Housing program loan reesti- mates	-619	-730					
Housing program loan liqui- dating account	154						
Total, Veterans housing	927	625	166	139	152	175	173
Other veterans programs:							
National homes, Battle Monu- ment contributions and other	47	124	46	45	36	36	37
Total, Mandatory	24,896	26,497	24,094	27,098	28,728	29,944	31,162
Total, Veterans benefits and services	44,157	47,410	46,155	49,159	51,056	52,822	54,544

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,338	4,493	4,759	4,759	4,815	4,935	5,043
Alcohol, tobacco, and firearms investigations (ATF)	558	565	756	756	765	784	801
Border enforcement activities (Customs and INS)	4,743	4,808	5,947	5,947	6,018	6,168	6,303
Proposed Legislation (non-PAYGO)			-210	-210	-213	-218	-223
Subtotal, Border enforcement activities (Customs and INS)	4,743	4,808	5,737	5,737	5,805	5,950	6,080
Equal Employment Opportunity Commission	279	281	322	322	326	334	342
Tax law, criminal investigations (IRS)	367	385	399	399	404	414	423
Other law enforcement activities	1,585	1,527	1,680	1,680	1,700	1,741	1,780
Total, Federal law enforcement activities	11,870	12,059	13,653	13,653	13,815	14,158	14,469
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,628	2,763	3,034	3,034	3,070	3,147	3,216
Representation of indigents in civil cases	300	304	340	340	344	353	360
Federal judicial and other litigative activities	3,497	3,799	4,278	4,411	4,539	4,670	4,805
Total, Federal litigative and judicial activities	6,425	6,866	7,652	7,785	7,953	8,170	8,381
Correctional activities:							
Federal prison system and detention trustee program	3,302	3,673	4,412	4,522	4,311	3,913	4,065
Criminal justice assistance:							
Law enforcement assistance, violent crime reduction, community policing	4,891	4,050	3,283	3,996	4,042	4,050	4,023
Total, Discretionary	26,488	26,648	29,000	29,956	30,121	30,291	30,938
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	560	484	463	430	440	451	459
Border enforcement activities (Customs and INS)	1,533	1,627	1,624	1,675	1,712	1,750	1,791

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Customs and INS fees	-2,480	-2,716	-2,736	-2,699	-2,779	-1,382	-1,385
Proposed Legislation (PAYGO)						-1,460	-1,524
Subtotal, Customs and INS fees	-2,480	-2,716	-2,736	-2,699	-2,779	-2,842	-2,909
Other mandatory law enforce- ment programs	481	420	433	439	442	445	449
Total, Federal law en- forcement activities	94	-185	-216	-155	-185	-196	-210
Federal litigative and judicial activities:							
Federal judicial officers sala- ries and expenses and other mandatory programs	460	454	533	498	510	523	539
Correctional activities:							
Mandatory programs	-3	-4	-4	-4	-4	-4	-5
Criminal justice assistance:							
Crime victims fund	321	503	1,063	350	350	350	350
Public safety officers' benefits ..	32	33	33	34	34	35	35
Total, Criminal justice assistance	353	536	1,096	384	384	385	385
Total, Mandatory	904	801	1,409	723	705	708	709
Total, Administration of jus- tice	27,392	27,449	30,409	30,679	30,826	30,999	31,647
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discre- tionary programs	2,245	2,107	2,325	2,273	2,286	2,299	2,312
Executive direction and man- agement:							
Drug control programs	353	369	451	451	456	468	477
Executive Office of the Presi- dent	315	274	288	288	291	298	303
Presidential transition and former Presidents	2	2	10	10	10	10	10
Total, Executive direc- tion and management	670	645	749	749	757	776	790
Central fiscal operations:							
Tax administration	8,059	7,873	8,587	8,843	8,944	9,157	9,350
Other fiscal operations	663	720	841	851	859	885	902
Total, Central fiscal op- erations	8,722	8,593	9,428	9,694	9,803	10,042	10,252
General property and records management:							
Real property activities	306	-54	745	373	321	258	166
Records management	247	222	302	302	305	313	320

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other general and records management	230	173	180	180	182	186	191
Total, General property and records management	783	341	1,227	855	808	757	677
Central personnel management:							
Discretionary central personnel management programs	154	162	177	177	178	183	188
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	645	340	324	324	328	336	343
Payments to States and counties from Federal land management activities	11	11	10	10	10	10	11
Payments in lieu of taxes	125	134	135	135	137	140	143
Total, General purpose fiscal assistance	781	485	469	469	475	486	497
Other general government:							
Discretionary programs	347	253	294	288	289	297	303
Total, Discretionary	13,702	12,586	14,669	14,505	14,596	14,840	15,019
Mandatory:							
Legislative functions:							
Congressional members compensation and other	99	104	108	106	103	98	99
Central fiscal operations:							
Federal financing bank	1,155	21	22	24	25	27	31
Refundable tax credit for electronic tax return filers (Proposed Legislation PAYGO)				303	324	331	339
Other mandatory programs	-63	2	27	25	32	33	36
Total, Central fiscal operations	1,092	23	49	352	381	391	406
General property and records management:							
Mandatory programs	14	19	22	21	19	18	18
Offsetting receipts	-25	-24	-69	-33	-32	-28	-27
Total, General property and records management	-11	-5	-47	-12	-13	-10	-9
General purpose fiscal assistance:							
Payments to States and counties	789	994	884	886	868	891	912
Proposed Legislation (PAYGO)			54	67	77	63	65
Subtotal, Payments to States and counties	789	994	938	953	945	954	977

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Tax revenues for Puerto Rico (Treasury, BATF)	335	365	429	363	354	357	360
Proposed Legislation (PAYGO)		32	-32				
Subtotal, Tax revenues for Puerto Rico (Treasury, BATF)	335	397	397	363	354	357	360
Other general purpose fiscal assistance	128	128	125	115	111	112	112
Total, General purpose fiscal assistance	1,252	1,519	1,460	1,431	1,410	1,423	1,449
Other general government:							
Territories	160	162	169	194	197	197	197
Treasury claims	1,859	725	712	712	712	712	712
Presidential election campaign fund	61	61	61	63	63	63	63
Other mandatory programs	-95						
Total, Other general gov- ernment	1,985	948	942	969	972	972	972
Deductions for offsetting re- ceipts:							
Offsetting receipts	-971	-1,100	-1,099	-1,099	-1,099	-1,099	-1,099
Total, Mandatory	3,446	1,489	1,413	1,747	1,754	1,775	1,818
Total, General government	17,148	14,075	16,082	16,252	16,350	16,615	16,837
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	353,504	358,980	359,536	361,979	365,622	368,401	369,363
Proposed Legislation (non- PAYGO)		65	446	1,513	2,436	2,726	3,034
Total, Interest on the public debt	353,504	359,045	359,982	363,492	368,058	371,127	372,397
Interest received by on-budg- et trust funds:							
Civil service retirement and disability fund	-33,579	-35,168	-35,790	-36,929	-38,131	-39,099	-39,990
Proposed Legislation (non- PAYGO)			8	69	106	91	95
Subtotal, Civil service re- tirement and disability fund	-33,579	-35,168	-35,782	-36,860	-38,025	-39,008	-39,895
Military retirement	-12,560	-12,791	-13,025	-13,267	-13,517	-13,776	-14,045
Medicare	-12,212	-14,126	-15,220	-16,489	-17,678	-18,855	-19,995
Proposed Legislation (non- PAYGO)			-273	-1,242	-1,975	-2,030	-2,156
Subtotal, Medicare	-12,212	-14,126	-15,493	-17,731	-19,653	-20,885	-22,151

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other on-budget trust funds	-8,210	-9,206	-9,700	-10,094	-10,303	-10,480	-10,752
Proposed Legislation (non-PAYGO)		-65	-112	-240	-428	-617	-743
Subtotal, Other on-budget trust funds	-8,210	-9,271	-9,812	-10,334	-10,731	-11,097	-11,495
Total, Interest received by on-budget trust funds	-66,561	-71,356	-74,112	-78,192	-81,926	-84,766	-87,586
Interest received by off-budget trust funds:							
Interest received by social security trust funds	-52,071	-59,656	-68,138	-77,622	-87,895	-98,812	-110,493
Other interest:							
Interest on loans to Federal Financing Bank	-2,503	-2,412	-2,159	-1,988	-1,853	-2,205	-2,472
Interest on refunds of tax collections	2,724	3,157	3,307	3,436	3,563	3,702	3,852
Payment to the Resolution Funding Corporation	2,328	1,072	1,728	1,247	2,047	1,947	2,231
Interest paid to loan guarantee financing accounts	3,617	3,795	3,858	3,948	4,045	4,149	4,261
Interest received from direct loan financing accounts	-7,278	-8,626	-9,945	-10,960	-11,973	-12,947	-13,860
Interest on deposits in tax and loan accounts	-935	-1,152	-1,104	-1,052	-1,052	-1,052	-1,052
Interest received from Outer Continental Shelf escrow account, Interior	-1		-1,342				
All other interest	-3,087	-3,555	-3,698	-3,603	-3,631	-3,528	-3,414
Proposed Legislation (non-PAYGO)			-65	-79	-82	-85	-96
Subtotal, All other interest	-3,087	-3,555	-3,763	-3,682	-3,713	-3,613	-3,510
Total, Other interest	-5,135	-7,721	-9,420	-9,051	-8,936	-10,019	-10,550
Total, Net interest	229,737	220,312	208,312	198,627	189,301	177,530	163,768
920 Allowances:							
Discretionary:							
Adjustment to certain accounts			-181	-250	-321	-324	-329
Purchase of Martin Luther King papers			20				
Total, Allowances			-161	-250	-321	-324	-329
950 Undistributed offsetting receipts:							
Discretionary:							
Other undistributed offsetting receipts:							
Analog spectrum lease fee (Proposed Legislation non-PAYGO)			-200	-200	-200	-200	-200

Table 32-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Mandatory:							
Employer share, employee re- tirement (on-budget):							
Contributions to military re- tirement fund	-10,417	-11,454	-11,413	-11,781	-12,114	-12,459	-12,825
Postal Service contributions to Civil Service Retirement and Disability Fund	-6,001	-6,437	-6,624	-6,799	-6,919	-7,041	-7,166
Other contributions to civil and foreign service retirement and disability fund	-9,215	-9,008	-9,470	-9,870	-9,983	-10,494	-11,052
Proposed Legislation (non- PAYGO)			34	-22	17	24	26
Subtotal, Other contribu- tions to civil and foreign service retirement and disability fund	-9,215	-9,008	-9,436	-9,892	-9,966	-10,470	-11,026
Contributions to HI trust fund	-2,576	-2,676	-2,752	-2,898	-3,009	-3,133	-3,280
Total, Employer share, employee retirement (on-budget)	-28,209	-29,575	-30,225	-31,370	-32,008	-33,103	-34,297
Employer share, employee re- tirement (off-budget):							
Contributions to social security trust funds	-7,385	-7,860	-8,212	-8,919	-9,493	-10,144	-10,905
Proposed Legislation (non- PAYGO)			271	321	285	289	291
Total, Employer share, employee retirement (off-budget)	-7,385	-7,860	-7,941	-8,598	-9,208	-9,855	-10,614
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	-3,098	-3,550	-3,691	-3,282	-2,982	-2,853	-2,705
Sale of major assets:							
Privatization of Elk Hills					-323		
Other undistributed offset- ting receipts:							
Spectrum auction	-1,753	-2,076	-3,559	-5,535	-2,480	-770	-675
Total, Mandatory	-40,445	-43,061	-45,416	-48,785	-47,001	-46,581	-48,291
Total, Undistributed offset- ting receipts	-40,445	-43,061	-45,616	-48,985	-47,201	-46,781	-48,491
Total	1,776,513	1,801,079	1,885,361	1,926,800	1,987,941	2,064,906	2,144,541
On-budget	(1,450,094)	(1,466,730)	(1,542,715)	(1,575,130)	(1,626,247)	(1,691,970)	(1,757,628)
Off-budget	(326,419)	(334,349)	(342,646)	(351,670)	(361,694)	(372,936)	(386,913)

Table 32–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	69,503	73,509	75,094	77,822	79,894	82,607	88,607
Operation and maintenance	96,272	103,591	109,039	106,458	108,036	110,979	113,466
Procurement	48,826	47,972	50,958	54,075	59,984	63,506	66,116
Research, development, test and evaluation	37,363	37,400	37,696	37,537	37,324	37,135	36,532
Military construction	5,521	4,767	4,981	4,568	4,085	3,994	4,358
Family housing	3,692	3,753	3,589	3,673	3,834	3,857	3,969
Revolving, management and trust funds	995	2,278	1,711	1,109	860	669	528
General transfer authority		230	220	100	40	20	10
Repeal of pay delays		3,454	-3,454				
Repeal of obligation delays		1,250	-1,250				
DOD-wide savings proposals							3,152
Total, Department of De- fense—Military	262,172	278,204	278,584	285,342	294,057	302,767	316,738
Atomic energy defense activities:							
Department of Energy	12,188	11,775	12,340	12,691	12,875	13,171	13,407
Proposed Legislation (non- PAYGO)			11	16	17	17	18
Subtotal, Department of Energy	12,188	11,775	12,351	12,707	12,892	13,188	13,425
Formerly utilized sites reme- dial action	153	154	145	140	141	144	147
Defense nuclear facilities safe- ty board	17	18	19	18	18	18	18
Total, Atomic energy de- fense activities	12,358	11,947	12,515	12,865	13,051	13,350	13,590
Defense-related activities:							
Discretionary programs	933	1,004	987	1,022	1,047	1,065	1,086
Total, Discretionary	275,463	291,155	292,086	299,229	308,155	317,182	331,414
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	202	624	304	343	343	342	341
Offsetting receipts	-994	-1,352	-1,404	-1,410	-1,374	-1,259	-1,274
Total, Department of De- fense—Military	-792	-728	-1,100	-1,067	-1,031	-917	-933
Defense-related activities:							
Mandatory programs	202	209	216	228	239	252	261
Total, Mandatory	-590	-519	-884	-839	-792	-665	-672
Total, National defense	274,873	290,636	291,202	298,390	307,363	316,517	330,742

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	1,473	1,855	1,823	1,844	1,865	1,916	2,007
Multilateral development banks (MDB's)	1,518	1,620	1,793	1,695	1,748	1,803	1,669
Assistance for the New Independent States	652	590	682	667	725	808	837
Food aid	926	1,031	863	844	846	859	874
Refugee programs	733	919	797	673	682	698	713
Assistance for Central and Eastern Europe	523	555	392	454	518	595	616
Voluntary contributions to international organizations ..	338	295	350	356	360	368	377
Peace Corps	236	264	269	281	287	293	299
Central America and Caribbean emergency disaster recovery fund	10	232	228	-4			
Other development and humanitarian assistance	849	1,340	1,415	1,291	1,257	1,256	1,302
Total, International development, humanitarian assistance	7,258	8,701	8,612	8,101	8,288	8,596	8,694
International security assistance:							
Foreign military financing grants and loans	3,375	2,987	4,371	3,921	3,831	3,678	3,683
Economic support fund	2,349	2,358	2,329	2,460	2,555	2,209	2,277
Other security assistance	355	410	484	489	505	515	525
Total, International security assistance	6,079	5,755	7,184	6,870	6,891	6,402	6,485
Conduct of foreign affairs:							
State Department operations ...	2,241	3,553	3,216	3,219	3,228	3,302	3,374
Foreign buildings	615	773	891	1,085	1,229	1,342	1,432
Assessed contributions to international organizations	947	882	945	946	957	980	1,003
Assessed contributions for international peacekeeping ...	235	600	734	739	748	766	783
Arrearage payment for international organizations and peacekeeping			582	244			
Other conduct of foreign affairs	168	145	138	138	140	142	144
Total, Conduct of foreign affairs	4,206	5,953	6,506	6,371	6,302	6,532	6,736
Foreign information and exchange activities:							
International broadcasting	422	428	442	443	452	462	473
Other information and exchange activities	801	388	287	288	293	295	297
Total, Foreign information and exchange activities	1,223	816	729	731	745	757	770

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
International financial programs:							
Export-Import Bank	733	598	649	709	806	892	955
Special defense acquisition fund	-2	8	6	5			
Other IMF	22	16	10				
Total, International financial programs	753	622	665	714	806	892	955
Total, Discretionary	19,519	21,847	23,696	22,787	23,032	23,179	23,640
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	-1,585	-1,300	-1,177	-1,132	-1,151	-1,108	-1,045
Receipts and other	-19	-120	-56	-16	-16	-16	-16
Total, International development, humanitarian assistance	-1,604	-1,420	-1,233	-1,148	-1,167	-1,124	-1,061
International security assistance:							
Repayment of foreign military financing loans	-367						
Foreign military loan reestimates	5	189					
Foreign military loan liquidating account	-186	-590	-506	-403	-345	-275	-276
Total, International security assistance	-548	-401	-506	-403	-345	-275	-276
Foreign affairs and information:							
Conduct of foreign affairs	-44	7	2	2	2	2	2
U.S. Information Agency trust funds		-1	-1	-1	-1	-1	-1
Miscellaneous trust funds	2	2	2	2	2	3	3
Japan-U.S. Friendship Commission	2	4	3	3	3	3	3
Total, Foreign affairs and information	-40	12	6	6	6	7	7
International financial programs:							
Foreign military sales trust fund (net)	535						
International monetary fund	-167						
Exchange stabilization fund	-1,385	-1,454	-1,527	-1,603	-1,683	-1,768	-1,856
Credit liquidating account (Exim)	-892	-600	-575	-520	-466	-448	-436

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other international financial programs	-175	-906	-254	-67	-80	-81	-87
Total, International financial programs	-2,084	-2,960	-2,356	-2,190	-2,229	-2,297	-2,379
Total, Mandatory	-4,276	-4,769	-4,089	-3,735	-3,735	-3,689	-3,709
Total, International affairs	15,243	17,078	19,607	19,052	19,297	19,490	19,931
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,188	3,439	3,846	4,236	4,474	4,537	4,660
Department of Energy general science programs	2,449	2,719	2,993	3,130	3,149	3,134	3,145
Total, General science and basic research	5,637	6,158	6,839	7,366	7,623	7,671	7,805
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,981	4,899	5,052	5,331	5,993	6,560	7,032
Human space flight	5,417	5,457	5,454	5,461	5,094	4,872	4,737
Mission support	1,986	2,151	2,198	2,304	2,403	2,480	2,539
Other NASA programs	62	86	29	23	24	25	25
Total, Space flight, research, and supporting activities	12,446	12,593	12,733	13,119	13,514	13,937	14,333
Total, Discretionary	18,083	18,751	19,572	20,485	21,137	21,608	22,138
Mandatory:							
General science and basic research:							
National Science Foundation donations	42	102	66	34	34	34	34
Total, General science, space, and technology	18,125	18,853	19,638	20,519	21,171	21,642	22,172
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,350	1,210	1,219	1,299	1,300	1,277	1,263
Naval petroleum reserves operations	28	21	21				
Uranium enrichment activities	228	220	292	303	306	312	319
Decontamination transfer	-398	-420	-420	-420	-425	-436	-445
Nuclear waste program	169	140	281	326	328	334	342
Federal power marketing	223	214	194	179	180	183	188
Rural electric and telephone discretionary loans	82	83	66	62	58	60	60

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Non-defense environmental management and other	417	311	337	320	321	327	357
Total, Energy supply	2,099	1,779	1,990	2,069	2,068	2,057	2,084
Energy conservation and preparedness:							
Energy conservation	586	690	767	834	853	865	884
Emergency energy preparedness	225	164	158	158	159	162	165
Total, Energy conservation and preparedness	811	854	925	992	1,012	1,027	1,049
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	37	22	30	35	34	32	33
Federal Energy Regulatory Commission fees and recoveries, and other	-25	-21	-28	-28	-28	-29	-30
Department of Energy departmental administration, OIG, and EIA administration	207	199	191	195	196	200	203
Total, Energy information, policy, and regulation	219	200	193	202	202	203	206
Total, Discretionary	3,129	2,833	3,108	3,263	3,282	3,287	3,339
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	-18	-6	-6	-6			
Federal power marketing	-779	-548	-620	-731	-714	-818	-746
Tennessee Valley Authority	-49	-359	-813	-851	-834	-1,143	-1,229
Proceeds from uranium sales	-1						
United States Enrichment Corporation	5						
Nuclear waste fund program	-662	-663	-550	-550	-550	-545	-535
Rural electric and telephone liquidating accounts	-546	-2,897	-1,770	-1,786	-1,601	-1,506	-1,461
Rural electric and telephone loan subsidy reestimates	-167						
Total, Mandatory	-2,217	-4,473	-3,759	-3,924	-3,699	-4,012	-3,971
Total, Energy	912	-1,640	-651	-661	-417	-725	-632
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,147	4,272	3,920	3,909	3,943	4,029	4,120
Proposed Legislation (non-PAYGO)			-182	-5	-7	-10	-10
Subtotal, Corps of Engineers	4,147	4,272	3,738	3,904	3,936	4,019	4,110
Bureau of Reclamation	763	984	785	800	809	819	839

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Watershed, flood prevention, and other	266	304	237	186	180	159	159
Total, Water resources ...	5,176	5,560	4,760	4,890	4,925	4,997	5,108
Conservation and land management:							
Forest Service	2,703	2,538	2,764	2,830	2,859	2,923	2,986
Management of public lands (BLM)	1,035	1,103	1,167	1,246	1,206	1,219	1,247
Conservation of agricultural lands	718	747	799	807	801	816	835
Proposed Legislation (non- PAYGO)			-4	-14	-11	-7	-3
Subtotal, Conservation of agricultural lands	718	747	795	793	790	809	832
Other conservation and land management programs	588	546	686	743	778	828	846
Proposed Legislation (non- PAYGO)			-10	-10	-10	-10	-11
Subtotal, Other conserva- tion and land manage- ment programs	588	546	676	733	768	818	835
Total, Conservation and land management	5,044	4,934	5,402	5,602	5,623	5,769	5,900
Recreational resources:							
Operation of recreational re- sources	2,942	2,938	3,119	3,145	3,260	3,344	3,431
Other recreational resources activities	89	158	166	175	167	168	171
Total, Recreational re- sources	3,031	3,096	3,285	3,320	3,427	3,512	3,602
Pollution control and abate- ment:							
Regulatory, enforcement, and research programs	2,716	2,741	2,843	2,884	2,909	2,963	3,030
State and tribal assistance grants	2,745	3,064	3,400	3,304	3,154	3,056	3,022
Hazardous substance super- fund	1,577	1,479	1,427	1,438	1,487	1,546	1,597
Other control and abatement activities	142	143	142	143	147	149	152
Proposed Legislation (non- PAYGO)			-20	-8	-8	-8	-8
Total, Pollution control and abatement	7,180	7,427	7,792	7,761	7,689	7,706	7,793
Other natural resources:							
NOAA	2,380	2,101	2,545	2,535	2,550	2,492	2,407
Proposed Legislation (non- PAYGO)			-34	-34	-34	-35	-36
Subtotal, NOAA	2,380	2,101	2,511	2,501	2,516	2,457	2,371

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other natural resource program activities	844	894	841	880	891	905	929
Total, Other natural resources	3,224	2,995	3,352	3,381	3,407	3,362	3,300
Total, Discretionary	23,655	24,012	24,591	24,954	25,071	25,346	25,703
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	-448	2	-142	-226	-85	-151	-165
Legislative proposal, discretionary offset			-966	-963	-960	-996	-1,014
Total, Water resources ...	-448	2	-1,108	-1,189	-1,045	-1,147	-1,179
Conservation and land management:							
Conservation Reserve Program and other	1,808	1,976	1,996	2,086	2,035	2,089	2,078
Farm safety net (Proposed Legislation PAYGO)			776	960	535	597	657
Other conservation programs ..	477	493	524	519	514	515	518
Proposed Legislation (PAYGO)			-36	-4	10	20	21
Subtotal, Other conservation programs	477	493	488	515	524	535	539
Offsetting receipts	-1,650	-2,321	-2,015	-2,048	-2,015	-2,056	-2,080
Proposed Legislation (non-PAYGO)			4	4	4	4	4
Proposed Legislation (PAYGO)			-40	-79	-138	-137	-144
Subtotal, Offsetting receipts	-1,650	-2,321	-2,051	-2,123	-2,149	-2,189	-2,220
Total, Conservation and land management	635	148	1,209	1,438	945	1,032	1,054
Recreational resources:							
Operation of recreational resources	846	897	884	874	856	839	833
Proposed Legislation (PAYGO)			23	60	120	181	225
Subtotal, Operation of recreational resources	846	897	907	934	976	1,020	1,058
Offsetting receipts	-379	-382	-396	-305	-282	-288	-298
Proposed Legislation (PAYGO)			-25	-131	-140	-154	-155
Subtotal, Offsetting receipts	-379	-382	-421	-436	-422	-442	-453
Total, Recreational resources	467	515	486	498	554	578	605

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Pollution control and abatement:							
Superfund resources and other mandatory	-282	-225	-201	-154	-134	-124	-124
Proposed Legislation (PAYGO)			39	84	108	122	129
Total, Pollution control and abatement	-282	-225	-162	-70	-26	-2	5
Other natural resources:							
Fees and mandatory programs Proposed Legislation (non-PAYGO)	-59	27	-50	-12	-6	-8	-6
Total, Other natural resources	-59	27	-43	-12	-6	-8	-6
Total, Mandatory	313	467	382	665	422	453	479
Total, Natural resources and environment	23,968	24,479	24,973	25,619	25,493	25,799	26,182
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	433	468	479	468	480	480	490
P.L.480 market development activities	370	773	176	161	168	171	175
Administrative expenses	839	810	911	914	924	945	966
Total, Farm income stabilization	1,642	2,051	1,566	1,543	1,572	1,596	1,631
Agricultural research and services:							
Research programs	1,299	1,384	1,459	1,378	1,404	1,442	1,471
Extension programs	407	451	420	421	428	439	450
Marketing programs	42	46	67	69	70	71	74
Animal and plant inspection programs	527	557	517	517	435	430	430
Animal and plant inspection user fees (Proposed Legislation non-PAYGO)			-11	-11	-10	-10	-11
Economic intelligence	163	156	157	156	157	161	166
Grain inspection	26	26	33	34	34	34	34
Grain inspection user fees (Proposed Legislation non-PAYGO)			-19	-23	-23	-23	-23
Foreign agricultural service	129	104	113	114	116	118	121
Other programs and unallocated overhead	329	403	469	453	426	412	423
Total, Agricultural research and services	2,922	3,127	3,205	3,108	3,037	3,074	3,135
Total, Discretionary	4,564	5,178	4,771	4,651	4,609	4,670	4,766
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	17,463	24,991	13,363	8,969	8,554	6,349	5,337

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Farm safety net (Proposed Legislation PAYGO)		710	2,839	2,770			
Crop insurance and other farm credit activities	1,640	2,169	1,872	1,727	1,854	1,923	1,971
Farm safety net (Proposed Legislation PAYGO)			545	520			
Credit liquidating accounts (ACIF and FAC)	-725	-1,173	-1,174	-1,160	-1,162	-1,090	-1,054
Total, Farm income stabilization	18,378	26,697	17,445	12,826	9,246	7,182	6,254
Agricultural research and services:							
Miscellaneous mandatory programs	231	269	355	445	636	573	538
Offsetting receipts	-162	-156	-157	-157	-157	-157	-157
Total, Agricultural research and services	69	113	198	288	479	416	381
Total, Mandatory	18,447	26,810	17,643	13,114	9,725	7,598	6,635
Total, Agriculture	23,011	31,988	22,414	17,765	14,334	12,268	11,401
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	734	967	972	488	509	502	489
Government National Mortgage Association (GNMA)	-346	-332	-357	-357	-361	-370	-378
Other Housing and Urban Development	-157	-76	-471	-115	-115	-118	-121
Rural housing insurance fund	565	592	719	731	745	758	773
Proposed Legislation (non-PAYGO)			-40	-40	-40	-41	-42
Subtotal, Rural housing insurance fund	565	592	679	691	705	717	731
Total, Mortgage credit ...	796	1,151	823	707	738	731	721
Postal service:							
Payments to the Postal Service fund (On-budget)	29	100	93	96	29	30	31
Deposit insurance:							
National Credit Union Administration	2	1	1	1	1	1	1
Other advancement of commerce:							
Small and minority business assistance	581	618	728	781	798	813	831
Science and technology	684	647	697	654	754	770	777
Economic and demographic statistics	1,212	4,426	1,377	737	722	618	617

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Regulatory agencies	-172	-140	-132	-118	-121	-126	-129
Proposed Legislation (non- PAYGO)			2	2	2	2	2
Subtotal, Regulatory agen- cies	-172	-140	-130	-116	-119	-124	-127
International Trade Adminis- tration	286	300	340	352	360	367	375
Other discretionary	91	108	-121	-25	39	47	43
Total, Other advance- ment of commerce	2,682	5,959	2,891	2,383	2,554	2,491	2,516
Total, Discretionary	3,509	7,211	3,808	3,187	3,322	3,253	3,269
Mandatory:							
Mortgage credit:							
FHA General and Special Risk negative subsidies	-154	-146	-27	-111	-210	-28	-10
FHA mutual mortgage insur- ance receipts	-3,559			-3,708	-3,830	-4,199	-4,765
GNMA receipts		-6,189	-365	-401	-439	-479	-521
Mortgage credit reestimates	4,727						
FHA mutual mortgage insur- ance liquidating account	-319	-3,937	-4,542	-1,564	-1,686	-1,858	-1,950
GNMA liquidating account	-335	5,826	-74	-4	-3	-1	-1
Other credit liquidating ac- counts	-996	-1,169	522	-1,019	-897	-1,121	-1,214
Other mortgage credit activi- ties	204		1				
Total, Mortgage credit ...	-432	-5,615	-4,485	-6,807	-7,065	-7,686	-8,461
Postal service:							
Postal Service (Off-budget)	1,021	1,498	447	1,270	198	142	-270
Deposit insurance:							
Bank Insurance Fund	-1,035	165	-839	-610	-247	96	846
Proposed Legislation (non- PAYGO)			-4	-9	-16	-23	-32
Legislative proposal, discre- tionary offset			-92	-96	-102	-106	-111
Subtotal, Bank Insurance Fund	-1,035	165	-935	-715	-365	-33	703
FSLIC Resolution Fund	-3,583	-906	1	143	16	-88	-88
Savings Association Insurance Fund	-436	-340	-346	-327	-250	-200	76
National Credit Union Admin- istration	-263	-327	-338	-406	-423	-448	-486
Other deposit insurance activi- ties	35	29	28	35	36	37	38
Total, Deposit insurance	-5,282	-1,379	-1,590	-1,270	-986	-732	243
Other advancement of com- merce:							
Universal Service Fund	3,293	5,757	4,913	5,567	6,139	6,783	7,482
Payments to copyright owners	174	455	89	268	147	115	246
Spectrum auction subsidy	1,369	-1,779	6	6	6	6	6
Regulatory fees	-25	-23	-24	-24	-24	-24	-24

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Credit liquidating accounts	-316	-270	-259	-163	-72	-63	-53
Business loan program, sub- sidy reestimate	-695	-301					
Other mandatory	31	44	40	38	32	31	31
Total, Other advance- ment of commerce	3,831	3,883	4,765	5,692	6,228	6,848	7,688
Total, Mandatory	-862	-1,613	-863	-1,115	-1,625	-1,428	-800
Total, Commerce and housing credit	2,647	5,598	2,945	2,072	1,697	1,825	2,469
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	21,468	24,259	26,508	27,321	26,914	26,851	26,948
State infrastructure banks	29	15	12	9	7	4	2
Highway safety	419	566	680	723	722	735	749
Mass transit	4,260	4,559	4,653	5,487	5,989	6,670	7,030
Railroads	436	874	770	861	1,079	1,148	1,210
Proposed Legislation (non- PAYGO)			-103	-103	-104	-107	-110
Subtotal, Railroads	436	874	667	758	975	1,041	1,100
Regulation	14	16	17	17	17	18	18
Proposed Legislation (non- PAYGO)			-17	-17	-17	-18	-18
Subtotal, Regulation	14	16					
Total, Ground transpor- tation	26,626	30,289	32,520	34,298	34,607	35,301	35,829
Air transportation:							
Airports and airways (FAA)	9,508	9,748	10,559	11,269	11,753	12,429	13,120
Aeronautical research and technology	1,217	853	942	929	990	1,008	1,015
Payments to air carriers	-5	-4	7			-1	
Total, Air transportation	10,720	10,597	11,508	12,198	12,743	13,436	14,135
Water transportation:							
Marine safety and transpor- tation	3,042	2,967	3,309	3,372	3,418	3,496	3,579
Proposed Legislation (non- PAYGO)			-212	-636	-643	-660	-674
Subtotal, Marine safety and transportation	3,042	2,967	3,097	2,736	2,775	2,836	2,905
Ocean shipping	30	150	104	15	115	121	123
Proposed Legislation (non- PAYGO)			-13	-13	-13	-13	-14
Subtotal, Ocean shipping ..	30	150	91	2	102	108	109
Panama Canal Commission	-73	47					
Total, Water transpor- tation	2,999	3,164	3,188	2,738	2,877	2,944	3,014

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other transportation:							
Department of Transportation administration and other	241	297	271	278	291	299	307
Proposed Legislation (non- PAYGO)			-29	-29	-29	-30	-31
Total, Other transpor- tation	241	297	242	249	262	269	276
Total, Discretionary	40,586	44,347	47,458	49,483	50,489	51,950	53,254
Mandatory:							
Ground transportation:							
Highways	1,499	1,466	1,359	1,227	1,095	977	900
Offsetting receipts and credit subsidy reestimates	-44	-86	-21	-21	-21	-21	-21
Credit liquidating accounts	-29	-30	-29	-29	-29	-29	-29
Total, Ground transpor- tation	1,426	1,350	1,309	1,177	1,045	927	850
Air transportation:							
Payments to air carriers		3	15	22	13	13	13
Water transportation:							
Coast Guard retired pay	669	693	761	818	869	919	970
Other water transportation programs	-124	351	12	-13	62	62	62
Proposed Legislation (PAYGO)			13	13	14	15	15
Subtotal, Other water transportation programs	-124	351	25		76	77	77
Total, Water transpor- tation	545	1,044	786	818	945	996	1,047
Other transportation:							
Sale of Governors Island				-340			
Other mandatory transpor- tation programs	-26	-35	-36	-34	-35	-36	-37
Total, Other transpor- tation	-26	-35	-36	-374	-35	-36	-37
Total, Mandatory	1,945	2,362	2,074	1,643	1,968	1,900	1,873
Total, Transportation	42,531	46,709	49,532	51,126	52,457	53,850	55,127
450 Community and regional de- velopment:							
Discretionary:							
Community development:							
Community development block grant	4,804	4,856	4,826	4,956	4,997	5,074	4,979
Proposed Legislation (non- PAYGO)				2	4	5	5
Subtotal, Community de- velopment block grant ...	4,804	4,856	4,826	4,958	5,001	5,079	4,984
Community development loan guarantees	9	16	21	27	31	30	31

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Community adjustment and investment program	1	14	10	10	10	10	10
Community development financial institutions	86	89	110	112	120	125	128
Brownfields redevelopment		10	28	43	47	49	50
Other community development programs	291	423	468	506	492	514	528
Total, Community development	5,191	5,408	5,463	5,656	5,701	5,807	5,731
Area and regional development:							
Rural development	746	898	834	868	927	997	1,015
Economic Development Administration	381	437	439	436	425	436	453
Regional connections Proposed Legislation (non-PAYGO)			1	9	20	24	25
Indian programs	1,047	1,046	1,235	1,341	1,439	1,501	1,533
Appalachian Regional Commission	141	151	113	66	54	64	71
Tennessee Valley Authority	51	53					
Denali commission	1	29	30	30	30	30	32
Delta Regional Authority (Proposed Legislation non-PAYGO)			3	9	18	23	27
Total, Area and regional development	2,367	2,614	2,655	2,759	2,913	3,075	3,156
Disaster relief and insurance:							
Disaster relief	3,746	2,752	1,838	1,713	1,077	989	631
Small Business Administration disaster loans	316	317	310	312	311	305	312
Other disaster assistance programs	268	547	602	561	502	508	509
Total, Disaster relief and insurance	4,330	3,616	2,750	2,586	1,890	1,802	1,452
Total, Discretionary	11,888	11,638	10,868	11,001	10,504	10,684	10,339
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	-9	20					
Urban empowerment zones (Proposed Legislation PAYGO)			3	51	114	138	144
Credit liquidating accounts	-66	-32	-32	-33	-23	-15	-12
Total, Community development	-75	-12	-29	18	91	123	132
Area and regional development:							
Indian programs	442	180	151	156	161	167	172
Rural development programs	107	31	78	47	41	39	37
Rural empowerment zones / enterprise communities (Proposed Legislation PAYGO)				5	12	15	15
Credit liquidating accounts	-213	-109	-311	-213	-415	-427	-480

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Offsetting receipts	-376	-189	-139	-143	-148	-152	-157
Total, Area and regional development	-40	-87	-221	-148	-349	-358	-413
Disaster relief and insurance:							
National flood insurance fund	-66	-275	-333	-402	-481	-566	-658
National flood mitigation fund	8	18	25	24	22	20	20
Flood map modernization fund (Proposed Legislation PAYGO)			-57	-12	-1	-2	-2
Radiological emergency preparedness fees	-2						
Disaster loans program account	337	68					
SBA disaster loan subsidy re-estimates	-10						
Credit liquidating accounts	-170	-235	-76	-210	-8	-8	-8
Total, Disaster relief and insurance	97	-424	-441	-600	-468	-556	-648
Total, Mandatory	-18	-523	-691	-730	-726	-791	-929
Total, Community and regional development	11,870	11,115	10,177	10,271	9,778	9,893	9,410
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	887	1,125	1,489	1,825	2,005	2,067	2,117
Education for the disadvantaged	7,554	8,379	8,565	9,055	9,147	9,190	9,254
Impact aid	1,081	1,034	791	780	778	797	814
School improvement	1,326	2,527	2,814	3,756	3,999	3,943	3,992
Bilingual and immigrant education	311	497	406	449	460	466	476
Special education	4,444	5,432	5,815	6,234	6,356	6,399	6,453
Vocational and adult education	1,362	1,547	1,642	1,724	1,748	1,761	1,780
Reading excellence		133	209	261	282	286	289
Indian education	612	624	661	722	735	749	766
School renovation			74	571	1,108	1,308	1,329
Other	10	15	13	10	11	11	11
Total, Elementary, secondary, and vocational education	17,587	21,313	22,479	25,387	26,629	26,977	27,281
Higher education:							
Student financial assistance	9,125	9,363	9,829	10,349	10,308	10,553	10,810
Higher education	855	1,468	1,503	1,680	1,754	1,778	1,817
Proposed Legislation (non-PAYGO)			5	32	39	41	41
Subtotal, Higher education	855	1,468	1,508	1,712	1,793	1,819	1,858
Federal family education loan program	52	46	45	55	59	61	62

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other higher education programs	352	330	386	389	392	401	409
Proposed Legislation (non-PAYGO)				1	1	2	2
Subtotal, Other higher education programs	352	330	386	390	393	403	411
Total, Higher education	10,384	11,207	11,768	12,506	12,553	12,836	13,141
Research and general education aids:							
Library of Congress	284	272	320	339	349	360	370
Public broadcasting	298	344	382	437	476	491	471
Smithsonian institution	485	553	552	557	581	598	609
Education research, statistics, and improvement	479	690	604	522	507	512	522
Other	753	852	875	943	969	995	1,018
Proposed Legislation (non-PAYGO)			1	1	2	2	3
Subtotal, Other	753	852	876	944	971	997	1,021
Total, Research and general education aids	2,299	2,711	2,734	2,799	2,884	2,958	2,993
Training and employment:							
Training and employment services	4,675	5,347	5,680	5,795	6,056	6,228	6,358
Proposed Legislation (non-PAYGO)			-3	-55	-92	-105	-107
Subtotal, Training and employment services	4,675	5,347	5,677	5,740	5,964	6,123	6,251
Older Americans employment ..	441	440	440	440	441	448	458
Federal-State employment service	1,198	1,301	1,265	1,298	1,334	1,360	1,390
Proposed Legislation (non-PAYGO)			-33	-33	-33	-34	-35
Subtotal, Federal-State employment service	1,198	1,301	1,232	1,265	1,301	1,326	1,355
Other employment and training	91	106	114	111	112	115	118
Total, Training and employment	6,405	7,194	7,463	7,556	7,818	8,012	8,182
Other labor services:							
Labor law, statistics, and other administration	1,076	1,180	1,456	1,491	1,509	1,543	1,579
Social services:							
National Service	609	698	815	959	788	829	847
Children and families services programs	5,703	6,214	7,013	7,768	7,821	7,901	8,046
Aging services program	879	886	1,020	1,072	1,092	1,115	1,140

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other	179	800	159	401	406	414	423
Total, Social services	7,370	8,598	9,007	10,200	10,107	10,259	10,456
Total, Discretionary	45,121	52,203	54,907	59,939	61,500	62,585	63,632
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	2						
Higher education:							
Federal family education loan program	2,753	3,984	3,503	2,613	3,607	3,276	3,302
Proposed Legislation (PAYGO)				-408	-505	-345	-301
Legislative proposal, discre- tionary offset			-2,286				
Subtotal, Federal family education loan program	2,753	3,984	1,217	2,205	3,102	2,931	3,001
Federal direct loan program	-93	-2,751	115	291	287	483	596
Other higher education pro- grams	-98	-80	-78	-77	-77	-73	-71
Proposed Legislation (non- PAYGO)			1	1	1	1	1
Legislative proposal, discre- tionary offset							-1
Subtotal, Other higher education programs	-98	-80	-77	-76	-76	-72	-71
Credit liquidating account (Family education loan pro- gram)	-1,163	-707	-629	-517	-420	-326	-244
Proposed Legislation (non- PAYGO)			14	19	14	10	7
Subtotal, Credit liqui- dating account (Family education loan program)	-1,163	-707	-615	-498	-406	-316	-237
Total, Higher education	1,399	446	640	1,922	2,907	3,026	3,289
Research and general edu- cation aids:							
Mandatory programs	19	41	44	23	19	19	20
Training and employment:							
Trade adjustment assistance ...	100	130	131	120	102	95	96
Proposed Legislation (PAYGO)			7	31	54	62	63
Subtotal, Trade adjust- ment assistance	100	130	138	151	156	157	159

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Welfare to work grants	267	960	1,370	130	16	.....	.....
Proposed Legislation (PAYGO) .....	.....	-100	-465	150	289	76	.....
Subtotal, Welfare to work grants	267	860	905	280	305	76	.....
Payments to States for AFDC work programs	9	8	5	.....	.....	.....	.....
Other training and employ- ment .....	.....	22	41	48	23	6	.....
Proposed Legislation (PAYGO) .....	.....	.....	-102	-49	-12	.....	.....
Subtotal, Other training and employment .....	.....	22	-61	-1	11	6	.....
Total, Training and em- ployment	376	1,020	987	430	472	239	159
Other labor services:							
Other labor services	2	5	5	.....	.....	.....	.....
Social services:							
Payments to States for foster care and adoption assistance Proposed Legislation (PAYGO)	4,707	5,495	6,293	6,899	7,469	8,113	8,842
.....	.....	.....	1	1	1	1	1
Subtotal, Payments to States for foster care and adoption assistance	4,707	5,495	6,294	6,900	7,470	8,114	8,843
Family support and preserva- tion	248	286	288	301	304	305	305
Social services block grant	1,993	1,623	1,932	1,710	1,710	1,710	1,710
Proposed Legislation (PAYGO) .....	.....	.....	66	9	.....	.....	.....
Subtotal, Social services block grant	1,993	1,623	1,998	1,719	1,710	1,710	1,710
Rehabilitation services	2,536	2,278	2,381	2,437	2,496	2,560	2,627
Other social services	-1	.....	.....	.....	.....	.....	.....
Total, Social services	9,483	9,682	10,961	11,357	11,980	12,689	13,485
Total, Mandatory	11,281	11,194	12,637	13,732	15,378	15,973	16,953
Total, Education, training, employment, and social services	56,402	63,397	67,544	73,671	76,878	78,558	80,585
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,214	2,451	2,648	2,732	2,820	2,879	2,941
Indian health	2,163	2,346	2,593	2,619	2,633	2,695	2,748
Health Resources and Services Administration	3,455	3,962	4,362	4,521	4,570	4,698	4,811
Disease control, research, and training	2,205	2,459	2,775	2,893	2,906	2,927	2,971

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Departmental management and other	366	939	565	624	605	598	608
Total, Health care serv- ices	10,403	12,157	12,943	13,389	13,534	13,797	14,079
Health research and training:							
National Institutes of Health ...	13,790	15,503	17,826	18,979	18,880	19,156	19,563
Clinical training	283	333	322	309	301	304	312
Other health research and training	295	614	77	295	281	278	280
Total, Health research and training	14,368	16,450	18,225	19,583	19,462	19,738	20,155
Consumer and occupational health and safety:							
Food safety and inspection	600	649	688	688	688	688	688
Food safety and inspection user fees (Proposed Legislation non-PAYGO)			-534	-636	-649	-664	-679
Occupational safety and health FDA and Consumer Products Safety Commission salaries and expenses	575	611	691	683	691	706	721
	994	1,095	1,244	1,238	1,247	1,262	1,283
Total, Consumer and oc- cupational health and safety	2,169	2,355	2,089	1,973	1,977	1,992	2,013
Total, Discretionary	26,940	30,962	33,257	34,945	34,973	35,527	36,247
Mandatory:							
Health care services:							
Medicaid grants	108,042	116,117	124,175	133,968	144,900	156,610	169,763
Proposed Legislation (PAYGO)			663	1,830	4,509	7,020	8,451
Subtotal, Medicaid grants	108,042	116,117	124,838	135,798	149,409	163,630	178,214
State children's health insur- ance fund	565	1,300	1,905	2,505	3,000	3,100	3,100
Proposed Legislation (PAYGO)			212	422	726	1,029	1,326
Subtotal, State children's health insurance fund	565	1,300	2,117	2,927	3,726	4,129	4,426
Long-term care tax credit (Pro- posed Legislation PAYGO) ...			8	72	98	134	163
Federal employees' and retired employees' health benefits	4,851	5,178	5,530	6,073	6,506	7,221	7,880
Proposed Legislation (non- PAYGO)			121	175	186	199	213
Proposed Legislation (PAYGO)			-194	-280	-300	-323	-349
Subtotal, Federal employ- ees' and retired employ- ees' health benefits	4,851	5,178	5,457	5,968	6,392	7,097	7,744

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
UMWA Funds (coal miner retiree health)	229	183	205	188	179	171	164
Proposed Legislation (PAYGO)			49	47	46	45	43
Subtotal, UMWA Funds (coal miner retiree health)	229	183	254	235	225	216	207
Other mandatory health services activities	436	436	459	434	431	425	436
Proposed Legislation (PAYGO)			10				
Subtotal, Other mandatory health services activities	436	436	469	434	431	425	436
Total, Health care services	114,123	123,214	133,143	145,434	160,281	175,631	191,190
Health research and safety:							
Health research and training ..	14	51	37	37	36	13	7
Proposed Legislation (PAYGO)			250	490	10		
Subtotal, Health research and training	14	51	287	527	46	13	7
Consumer and occupational health and safety	2		-1	-1	-1	-1	-1
Total, Health research and safety	16	51	286	526	45	12	6
Total, Mandatory	114,139	123,265	133,429	145,960	160,326	175,643	191,196
Total, Health	141,079	154,227	166,686	180,905	195,299	211,170	227,443
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,248	1,338	1,411	1,422	1,444	1,483	1,518
Proposed Legislation (non-PAYGO)			-74	-74	-75	-77	-78
Subtotal, Hospital insurance (HI) administrative expenses	1,248	1,338	1,337	1,348	1,369	1,406	1,440
Supplementary medical insurance (SMI) administrative expenses	1,505	1,700	1,763	1,763	1,784	1,829	1,869
Proposed Legislation (non-PAYGO)			-146	-146	-148	-151	-155
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,505	1,700	1,617	1,617	1,636	1,678	1,714
Total, Discretionary	2,753	3,038	2,954	2,965	3,005	3,084	3,154

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Mandatory:							
Medicare:							
Hospital insurance (HI)	129,510	132,392	143,612	147,638	157,538	165,895	179,151
Proposed Legislation (PAYGO)			-185	1,702	-4,033	-3,265	-4,946
Subtotal, Hospital insur- ance (HI)	129,510	132,392	143,427	149,340	153,505	162,630	174,205
Supplementary medical insur- ance (SMI)	79,012	87,976	97,057	100,455	111,096	118,860	130,321
Proposed Legislation (PAYGO)			-685	1,134	9,355	20,729	24,724
Subtotal, Supplementary medical insurance (SMI)	79,012	87,976	96,372	101,589	120,451	139,589	155,045
Health care fraud and abuse control	742	864	950	1,010	1,075	1,075	1,075
Medicare premiums, collec- tions, and interfunds	-21,570	-21,757	-23,368	-25,427	-27,821	-30,427	-33,095
Proposed Legislation (PAYGO)			180	-226	-8,052	-10,921	-13,703
Subtotal, Medicare pre- miums, collections, and interfunds	-21,570	-21,757	-23,188	-25,653	-35,873	-41,348	-46,798
Solvency payment (Proposed Legislation non-PAYGO)			15,400	12,600			
Solvency receipt (Proposed Leg- islation non-PAYGO)			-15,400	-12,600			
Total, Mandatory	187,694	199,475	217,561	226,286	239,158	261,946	283,527
Total, Medicare	190,447	202,513	220,515	229,251	242,163	265,030	286,681
600 Income security:							
Discretionary:							
General retirement and dis- ability insurance:							
Railroad retirement	281	266	261	258	261	268	274
Pension Benefit Guaranty Cor- poration	11	11	12	12	12	12	13
Pension and Welfare Benefits Administration and other	94	98	109	110	111	114	116
Total, General retire- ment and disability in- surance	386	375	382	380	384	394	403
Federal employee retirement and disability:							
Civilian retirement and dis- ability program administra- tive expenses	80	85	92	92	93	95	97
Armed forces retirement home	73	64	70	67	70	73	74

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Foreign service national separation liability trust fund	11						
Total, Federal employee retirement and disability	164	149	162	159	163	168	171
Unemployment compensation:							
Unemployment programs administrative expenses	2,275	2,270	2,364	2,364	2,392	2,452	2,505
Housing assistance:							
Public housing operating fund	2,876	2,972	3,160	3,192	3,211	3,270	3,346
Public housing capital fund	3,080	3,159	3,345	2,791	2,961	3,309	3,311
Subsidized, public, homeless and other HUD housing	21,057	22,356	23,403	24,421	25,122	25,428	25,824
Rural housing assistance	632	689	723	768	800	834	858
Total, Housing assistance	27,645	29,176	30,631	31,172	32,094	32,841	33,339
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,942	4,058	4,148	4,148	4,195	4,295	4,391
Other nutrition programs	505	519	622	624	631	645	659
Total, Food and nutrition assistance	4,447	4,577	4,770	4,772	4,826	4,940	5,050
Other income assistance:							
Refugee assistance	332	444	446	440	436	440	447
Low income home energy assistance	1,176	1,242	1,105	1,102	1,110	1,133	1,159
Child care and development block grant	1,032	1,147	1,720	1,974	2,017	2,056	2,103
Supplemental security income (SSI) administrative expenses	2,497	2,359	2,590	2,592	2,619	2,682	2,741
Total, Other income assistance	5,037	5,192	5,861	6,108	6,182	6,311	6,450
Total, Discretionary	39,954	41,739	44,170	44,955	46,041	47,106	47,918
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,242	4,392	4,603	4,585	4,678	4,788	4,903
Special benefits for disabled coal miners	1,043	1,012	962	920	873	825	779
Pension Benefit Guaranty Corporation	-676	-1,135	-1,513	-1,363	-1,476	-1,492	-1,473
Proposed Legislation (PAYGO)			1	1	2	3	3
Subtotal, Pension Benefit Guaranty Corporation	-676	-1,135	-1,512	-1,362	-1,474	-1,489	-1,470
District of Columbia pension funds	202	243	250	260	268	276	285

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Proceeds from sale of DC re- tirement fund assets	-3,398						
Special workers' compensation program	141	155	146	149	149	150	149
Total, General retire- ment and disability in- surance	1,554	4,667	4,449	4,552	4,494	4,550	4,646
Federal employee retirement and disability:							
Federal civilian employee re- tirement and disability	44,297	45,874	48,013	50,311	52,745	55,820	58,936
Proposed Legislation (non- PAYGO)			27	64	49	11	-3
Proposed Legislation (PAYGO)			-2	-8	-12	-15	-18
Subtotal, Federal civilian employee retirement and disability	44,297	45,874	48,038	50,367	52,782	55,816	58,915
Military retirement	31,889	32,941	33,914	34,866	35,840	36,835	37,836
Federal employees workers' compensation (FECA)	151	114	135	147	161	168	173
Federal employees life insur- ance fund	-1,355	-1,368	-1,289	-1,237	-1,176	-1,064	-990
Total, Federal employee retirement and dis- ability	74,982	77,561	80,798	84,143	87,607	91,755	95,934
Unemployment compensation:							
Unemployment insurance pro- grams	21,130	21,566	24,361	28,488	31,712	33,002	34,185
Trade adjustment assistance ... Proposed Legislation (PAYGO)	226	259	275	249	227	235	243
Subtotal, Trade adjust- ment assistance	226	259	299	295	283	292	302
Total, Unemployment compensation	21,356	21,825	24,660	28,783	31,995	33,294	34,487
Housing assistance:							
Mandatory housing assistance programs	32	45	45	-28	-38	-49	-55
Food and nutrition assist- ance:							
Food stamps (including Puerto Rico)	19,003	19,723	21,013	22,099	23,133	23,988	24,792
Proposed Legislation (PAYGO)			24	96	223	371	367
Subtotal, Food stamps (in- cluding Puerto Rico)	19,003	19,723	21,037	22,195	23,356	24,359	25,159

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
State child nutrition programs	8,865	9,339	9,875	10,416	10,881	11,373	11,891
Proposed Legislation (PAYGO)			-3	-15	-21	-26	-31
Subtotal, State child nutri- tion programs	8,865	9,339	9,872	10,401	10,860	11,347	11,860
Funds for strengthening mar- kets, income, and supply (Sec.32)	832	535	537	537	537	537	537
Total, Food and nutri- tion assistance	28,700	29,597	31,446	33,133	34,753	36,243	37,556
Other income support:							
Supplemental security income (SSI)	28,175	29,304	30,561	31,904	33,269	34,673	38,695
Proposed Legislation (PAYGO)		2,190	-2,190	23	89	195	370
Legislative proposal, discre- tionary offset				-311			
Subtotal, Supplemental se- curity income (SSI)	28,175	31,494	28,371	31,616	33,358	34,868	39,065
Family support payments	2,756	3,053	3,059	3,299	3,553	3,831	4,055
Proposed Legislation (PAYGO)			32	33	33	33	32
Subtotal, Family support payments	2,756	3,053	3,091	3,332	3,586	3,864	4,087
Federal share of child support collections	-868	-851	-850	-820	-865	-874	-853
Proposed Legislation (PAYGO)			-22	-14	16	24	21
Subtotal, Federal share of child support collections	-868	-851	-872	-834	-849	-850	-832
Temporary assistance for needy families and related programs	14,161	14,996	15,742	16,522	17,323	17,933	18,284
Proposed Legislation (PAYGO)			208	90	117	32	-94
Legislative proposal, discre- tionary offset			-122				
Subtotal, Temporary as- sistance for needy fami- lies and related pro- grams	14,161	14,996	15,828	16,612	17,440	17,965	18,190
Child care entitlement to states	2,254	2,420	2,556	2,685	2,717	2,717	2,717
Proposed Legislation (PAYGO)			402	588	606	606	600
Subtotal, Child care enti- tlement to states	2,254	2,420	2,958	3,273	3,323	3,323	3,317

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Earned income tax credit (EITC)	25,632	25,676	25,799	26,876	27,638	28,701	29,722
Proposed Legislation (PAYGO)			15	304	314	326	339
Subtotal, Earned income tax credit (EITC)	25,632	25,676	25,814	27,180	27,952	29,027	30,061
Child tax credit	445	550	520	505	460	450	420
Child and dependent care tax credit (Proposed Legislation PAYGO)						1,427	1,501
Other assistance	53	62	55	53	61	60	60
Proposed Legislation (PAYGO)			3	2	2	2	2
Subtotal, Other assistance	53	62	58	55	63	62	62
SSI recoveries and receipts	-1,479	-1,548	-1,612	-1,679	-1,745	-1,814	-2,009
Total, Other income sup- port	71,129	75,852	74,156	80,060	83,588	88,322	93,862
Total, Mandatory	197,753	209,547	215,554	230,643	242,399	254,115	266,430
Total, Income security	237,707	251,286	259,724	275,598	288,440	301,221	314,348
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insur- ance (OASI)administrative expenses (Off-budget)	1,574	1,844	1,990	1,968	1,920	1,965	2,008
Disability insurance (DI) ad- ministrative expenses (Off- budget)	1,472	1,435	1,564	1,594	1,550	1,586	1,621
Office of the Inspector Gen- eral—Social Security Adm. (On-budget)	4	14	17	18	17	19	20
Total, Discretionary	3,050	3,293	3,571	3,580	3,487	3,570	3,649
Mandatory:							
Social security:							
Old-age and survivors insur- ance (OASI)(Off-budget)	336,332	349,127	364,796	379,730	396,655	414,880	434,736
Proposed Legislation (non- PAYGO)				64	113	144	153
Subtotal, Old-age and sur- vivors insurance (OASI)(Off-budget)	336,332	349,127	364,796	379,794	396,768	415,024	434,889
Disability insurance (DI)(Off- budget)	50,659	54,204	58,523	63,252	68,644	74,805	81,496
Quinquennial OASI and DI ad- justments (On-budget)			-1,152				
Intragovernmental trans- actions (On-budget)	10,824	11,664	10,985	11,494	12,048	12,813	13,725

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Intragovernmental trans- actions (Off-budget)	-10,824	-11,663	-10,985	-11,494	-12,048	-12,813	-13,725
Total, Mandatory	386,991	403,332	422,167	443,046	465,412	489,829	516,385
Total, Social security	390,041	406,625	425,738	446,626	468,899	493,399	520,034
700 Veterans benefits and serv- ices:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans		3	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Discretionary change to read- justment benefits account			-30	-30	-30	-31	-32
Veterans employment and training		-1	3	15	22	22	21
Total, Veterans edu- cation, training, and rehabilitation	1		-26	-14	-7	-8	-10
Hospital and medical care for veterans:							
Medical care and hospital serv- ices	18,225	18,804	21,460	21,230	21,484	21,967	22,453
Collections for medical care	-574	-600	-958	-957	-967	-992	-1,013
Construction of medical facili- ties	518	423	397	350	314	291	293
Total, Hospital and med- ical care for veterans ..	18,169	18,627	20,899	20,623	20,831	21,266	21,733
Veterans housing:							
Housing program loan admin- istrative expenses	160	158	167	167	169	173	177
Other veterans benefits and services:							
National Cemetery Administra- tion	89	94	111	110	111	113	117
General operating expenses	867	945	1,073	1,062	1,073	1,098	1,122
Other operating expenses	88	94	118	121	131	133	136
Total, Other veterans benefits and services ..	1,044	1,133	1,302	1,293	1,315	1,344	1,375
Total, Discretionary	19,374	19,921	22,344	22,071	22,310	22,777	23,277
Mandatory:							
Income security for veterans:							
Compensation	17,963	18,958	19,672	20,324	20,972	21,639	23,830
Proposed Legislation (non- PAYGO)			311	767	1,203	1,685	2,174
Proposed Legislation (PAYGO)		1,800	-1,795	5	-9	-28	-47
Subtotal, Compensation	17,963	20,758	18,188	21,096	22,166	23,296	25,957

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Pensions	3,076	3,053	3,061	3,065	3,561	3,581	3,930
Proposed Legislation (PAYGO)					-6		
Subtotal, Pensions	3,076	3,053	3,061	3,065	3,555	3,581	3,930
Burial benefits and miscella- neous assistance	109	135	142	136	137	138	137
National service life insurance trust fund	1,201	1,259	1,267	1,283	1,291	1,303	1,303
All other insurance programs ..	14	35	28	103	88	80	77
Insurance program receipts	-210	-191	-180	-169	-158	-146	-134
Total, Income security for veterans	22,153	25,049	22,506	25,514	27,079	28,252	31,270
Veterans education, training, and rehabilitation:							
Readjustment benefits (Mont- gomery GI Bill and other re- lated programs)	1,445	1,491	1,719	1,671	1,661	1,663	1,695
Post-Vietnam era education	14	18	17	16	15	14	14
All-volunteer force educational assistance trust fund	-187	-254	-261	-252	-239	-227	-213
Total, Veterans edu- cation, training, and rehabilitation	1,272	1,255	1,475	1,435	1,437	1,450	1,496
Hospital and medical care for veterans:							
Fees, charges and other man- datory medical care	-1						
Veterans housing:							
Housing program loan sub- sidies	1,389	1,320	172	149	330	355	349
Proposed Legislation (PAYGO)					-168	-167	-176
Subtotal, Housing program loan subsidies	1,389	1,320	172	149	162	188	173
Housing program loan reesti- mates	-619	-730					
Housing program loan liqui- dating account	-370	-138	-90	-64	-48	-38	-31
Total, Veterans housing	400	452	82	85	114	150	142
Other veterans programs:							
National homes, Battle Monu- ment contributions and other	14	119	42	30	31	33	32
Total, Mandatory	23,838	26,875	24,105	27,064	28,661	29,885	32,940
Total, Veterans benefits and services	43,212	46,796	46,449	49,135	50,971	52,662	56,217

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,316	4,269	4,307	4,646	4,772	4,874	4,979
Alcohol, tobacco, and firearms investigations (ATF)	553	563	746	761	763	783	799
Border enforcement activities (Customs and INS)	4,426	5,065	5,863	5,742	5,969	6,125	6,264
Proposed Legislation (non-PAYGO)			-210	-210	-213	-218	-223
Subtotal, Border enforcement activities (Customs and INS)	4,426	5,065	5,653	5,532	5,756	5,907	6,041
Equal Employment Opportunity Commission	256	261	321	322	325	333	341
Tax law, criminal investigations (IRS)	366	393	398	399	404	413	422
Other law enforcement activities	1,491	1,464	1,625	1,708	1,703	1,740	1,781
Total, Federal law enforcement activities	11,408	12,015	13,050	13,368	13,723	14,050	14,363
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,635	2,571	2,910	3,022	3,085	3,153	3,223
Representation of indigents in civil cases	298	303	337	340	344	352	360
Federal judicial and other litigative activities	3,519	3,822	4,260	4,401	4,532	4,664	4,800
Total, Federal litigative and judicial activities	6,452	6,696	7,507	7,763	7,961	8,169	8,383
Correctional activities:							
Federal prison system and detention trustee program	3,215	3,560	4,074	4,315	4,561	4,490	4,310
Criminal justice assistance:							
Law enforcement assistance, violent crime reduction, community policing	3,912	3,009	5,273	4,500	4,105	3,894	3,894
Total, Discretionary	24,987	25,280	29,904	29,946	30,350	30,603	30,950
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	473	499	398	403	403	403	403
Border enforcement activities (Customs and INS)	1,483	1,627	1,622	1,672	1,708	1,747	1,787

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Customs and INS fees	-2,480	-2,716	-2,736	-2,699	-2,779	-1,382	-1,385
Proposed Legislation (PAYGO)						-1,460	-1,524
Subtotal, Customs and INS fees	-2,480	-2,716	-2,736	-2,699	-2,779	-2,842	-2,909
Other mandatory law enforce- ment programs	594	551	430	440	442	445	448
Total, Federal law en- forcement activities	70	-39	-286	-184	-226	-247	-271
Federal litigative and judicial activities:							
Federal judicial officers sala- ries and expenses and other mandatory programs	502	750	554	504	506	518	535
Correctional activities:							
Mandatory programs	-11	-2	-8	-8	-7	-5	-4
Criminal justice assistance:							
Crime victims fund	348	749	1,211	448	350	350	350
Public safety officers' benefits ..	28	33	33	34	34	35	35
Total, Criminal justice assistance	376	782	1,244	482	384	385	385
Total, Mandatory	937	1,491	1,504	794	657	651	645
Total, Administration of jus- tice	25,924	26,771	31,408	30,740	31,007	31,254	31,595
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discre- tionary programs	1,996	2,246	2,412	2,277	2,286	2,299	2,311
Executive direction and man- agement:							
Drug control programs	308	281	386	446	454	462	472
Executive Office of the Presi- dent	294	267	288	288	291	298	303
Presidential transition and former Presidents	2	2	10	10	10	10	10
Total, Executive direc- tion and management	604	550	684	744	755	770	785
Central fiscal operations:							
Tax administration	7,825	8,054	8,456	8,631	8,843	9,121	9,312
Other fiscal operations	536	707	762	817	840	857	878
Total, Central fiscal op- erations	8,361	8,761	9,218	9,448	9,683	9,978	10,190
General property and records management:							
Real property activities	-220	178	298	245	343	345	239
Records management	224	189	270	273	297	311	317

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Other general and records management	237	348	208	180	185	180	189
Total, General property and records management	241	715	776	698	825	836	745
Central personnel management:							
Discretionary central personnel management programs	156	157	172	177	178	182	185
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	556	409	323	324	329	335	343
Payments to States and counties from Federal land management activities	11	11	10	10	10	10	11
Payments in lieu of taxes	125	134	135	135	137	140	143
Other	10	3					
Total, General purpose fiscal assistance	702	557	468	469	476	485	497
Other general government:							
Discretionary programs	352	280	292	320	304	305	313
Total, Discretionary	12,412	13,266	14,022	14,133	14,507	14,855	15,026
Mandatory:							
Legislative functions:							
Congressional members compensation and other	97	103	100	98	101	142	99
Central fiscal operations:							
Federal financing bank	1,129	21	22	24	25	27	31
Refundable tax credit for electronic tax return filers (Proposed Legislation PAYGO)				303	324	331	339
Other mandatory programs	-11	44	21	32	39	40	43
Total, Central fiscal operations	1,118	65	43	359	388	398	413
General property and records management:							
Mandatory programs	-41	18	23	22		-1	-2
Offsetting receipts	-25	-24	-69	-33	-32	-28	-27
Total, General property and records management	-66	-6	-46	-11	-32	-29	-29
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	13						

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Payments to States and coun- ties	788	995	884	886	868	890	912
Proposed Legislation (PAYGO)			54	67	77	63	65
Subtotal, Payments to States and counties	788	995	938	953	945	953	977
Tax revenues for Puerto Rico (Treasury, BATF)	331	365	429	363	354	357	360
Proposed Legislation (PAYGO)		32	-32				
Subtotal, Tax revenues for Puerto Rico (Treasury, BATF)	331	397	397	363	354	357	360
Other general purpose fiscal assistance	124	128	125	115	111	112	112
Total, General purpose fiscal assistance	1,256	1,520	1,460	1,431	1,410	1,422	1,449
Other general government:							
Territories	159	183	221	232	232	233	217
Treasury claims	1,827	757	712	712	712	712	712
Presidential election campaign fund	26	218	2		29	218	3
Other mandatory programs	-100	29	14	-12	-8	3	9
Total, Other general gov- ernment	1,912	1,187	949	932	965	1,166	941
Deductions for offsetting re- ceipts:							
Offsetting receipts	-971	-1,100	-1,099	-1,099	-1,099	-1,099	-1,099
Total, Mandatory	3,346	1,769	1,407	1,710	1,733	2,000	1,774
Total, General government	15,758	15,035	15,429	15,843	16,240	16,855	16,800
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	353,504	358,980	359,536	361,979	365,622	368,401	369,363
Proposed Legislation (non- PAYGO)		65	446	1,513	2,436	2,726	3,034
Total, Interest on the public debt	353,504	359,045	359,982	363,492	368,058	371,127	372,397
Interest received by on-budg- et trust funds:							
Civil service retirement and disability fund	-33,579	-35,168	-35,790	-36,929	-38,131	-39,099	-39,990
Proposed Legislation (non- PAYGO)			8	69	106	91	95
Subtotal, Civil service re- tirement and disability fund	-33,579	-35,168	-35,782	-36,860	-38,025	-39,008	-39,895
Military retirement	-12,560	-12,791	-13,025	-13,267	-13,517	-13,776	-14,045

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Medicare	-12,212	-14,126	-15,220	-16,489	-17,678	-18,855	-19,995
Proposed Legislation (non- PAYGO)			-273	-1,242	-1,975	-2,030	-2,156
Subtotal, Medicare	-12,212	-14,126	-15,493	-17,731	-19,653	-20,885	-22,151
Other on-budget trust funds	-8,210	-9,206	-9,700	-10,094	-10,303	-10,480	-10,752
Proposed Legislation (non- PAYGO)		-65	-112	-240	-428	-617	-743
Subtotal, Other on-budget trust funds	-8,210	-9,271	-9,812	-10,334	-10,731	-11,097	-11,495
Total, Interest received by on-budget trust funds	-66,561	-71,356	-74,112	-78,192	-81,926	-84,766	-87,586
Interest received by off-budg- et trust funds:							
Interest received by social se- curity trust funds	-52,071	-59,656	-68,138	-77,622	-87,895	-98,812	-110,493
Other interest:							
Interest on loans to Federal Fi- nancing Bank	-2,503	-2,412	-2,159	-1,988	-1,853	-2,205	-2,472
Interest on refunds of tax col- lections	2,724	3,157	3,307	3,436	3,563	3,702	3,852
Payment to the Resolution Funding Corporation	2,328	1,072	1,728	1,247	2,047	1,947	2,231
Interest paid to loan guarantee financing accounts	3,617	3,795	3,858	3,948	4,045	4,149	4,261
Interest received from direct loan financing accounts	-7,278	-8,626	-9,945	-10,960	-11,973	-12,947	-13,860
Interest on deposits in tax and loan accounts	-935	-1,152	-1,104	-1,052	-1,052	-1,052	-1,052
Interest received from Outer Continental Shelf escrow ac- count, Interior	-1		-1,342				
All other interest	-3,089	-3,553	-3,698	-3,604	-3,631	-3,528	-3,414
Proposed Legislation (non- PAYGO)			-65	-79	-82	-85	-96
Subtotal, All other interest	-3,089	-3,553	-3,763	-3,683	-3,713	-3,613	-3,510
Total, Other interest	-5,137	-7,719	-9,420	-9,052	-8,936	-10,019	-10,550
Total, Net interest	229,735	220,314	208,312	198,626	189,301	177,530	163,768
920 Allowances:							
Discretionary:							
Adjustment to certain accounts			-170	-246	-317	-326	-331
Purchase of Martin Luther King papers			20				
Repeal of non-Defence pay delay		843	-843				
Total, Allowances		843	-993	-246	-317	-326	-331

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
950 Undistributed offsetting receipts:							
Discretionary:							
Other undistributed offsetting receipts:							
Analog spectrum lease fee (Proposed Legislation non-PAYGO)			-200	-200	-200	-200	-200
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	-10,417	-11,454	-11,413	-11,781	-12,114	-12,459	-12,825
Postal Service contributions to Civil Service Retirement and Disability Fund	-6,001	-6,437	-6,624	-6,799	-6,919	-7,041	-7,166
Other contributions to civil and foreign service retirement and disability fund	-9,215	-9,008	-9,470	-9,870	-9,983	-10,494	-11,052
Proposed Legislation (non-PAYGO)			34	-22	17	24	26
Subtotal, Other contributions to civil and foreign service retirement and disability fund	-9,215	-9,008	-9,436	-9,892	-9,966	-10,470	-11,026
Contributions to HI trust fund	-2,576	-2,676	-2,752	-2,898	-3,009	-3,133	-3,280
Total, Employer share, employee retirement (on-budget)	-28,209	-29,575	-30,225	-31,370	-32,008	-33,103	-34,297
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	-7,385	-7,860	-8,212	-8,919	-9,493	-10,144	-10,905
Proposed Legislation (non-PAYGO)			271	321	285	289	291
Total, Employer share, employee retirement (off-budget)	-7,385	-7,860	-7,941	-8,598	-9,208	-9,855	-10,614
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	-3,098	-3,550	-3,691	-3,282	-2,982	-2,853	-2,705
Sale of major assets:							
Privatization of Elk Hills					-323		
Other undistributed offsetting receipts:							
Spectrum auction	-1,753	-2,076	-3,559	-5,535	-2,480	-770	-675
Total, Mandatory	-40,445	-43,061	-45,416	-48,785	-47,001	-46,581	-48,291
Total, Undistributed offsetting receipts	-40,445	-43,061	-45,616	-48,985	-47,201	-46,781	-48,491

**Table 32-2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—
Continued**
(In millions of dollars)

Function and Program	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Total	1,703,040	1,789,562	1,835,033	1,895,317	1,962,853	2,041,131	2,125,451
On-budget	(1,382,262)	(1,460,633)	(1,494,777)	(1,545,153)	(1,602,924)	(1,669,089)	(1,740,539)
Off-budget	(320,778)	(328,929)	(340,256)	(350,164)	(359,929)	(372,042)	(384,912)

Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
NATIONAL DEFENSE:			
DIRECT LOANS:			
Defense Loans:			
Loan disbursements		11	
Outstandings		11	11
GUARANTEED LOANS:			
Defense Loans:			
New guaranteed loans	5	37	
Outstandings	467	499	492
INTERNATIONAL AFFAIRS:			
DIRECT LOANS:			
Public Law 480:			
Loan disbursements			
Outstandings	8,810	8,535	7,996
Foreign Military Financing Loans:			
Loan disbursements	353	484	601
Outstandings	6,480	6,098	5,867
Overseas Private Investment Corporation:			
Loan disbursements	7	20	23
Outstandings	78	79	83
USAID Development Assistance Loans:			
Loan disbursements	1	73	4
Outstandings	10,880	10,299	9,715
Export-Import Bank:			
Loan disbursements	2,375	1,117	790
Outstandings	12,223	12,298	11,918
Other, International Affairs:			
Loan disbursements	45	119	1
Outstandings	112	230	230
Total, direct loans:			
Loan disbursements	2,781	1,813	1,419
Outstandings	38,583	37,539	35,809
GUARANTEED LOANS:			
Foreign Military Financing Loans:			
New guaranteed loans			
Outstandings	4,924	4,553	4,196
Loan Guarantees to Israel:			
New guaranteed loans			
Outstandings	9,226	9,226	9,226
Overseas Private Investment Corporation:			
New guaranteed loans	426	600	800
Outstandings	2,973	3,059	3,254
USAID Development Assistance Loans:			
New guaranteed loans	186	156	155
Outstandings	2,337	2,369	2,393
Export-Import Bank:			
New guaranteed loans	8,901	11,998	11,512
Outstandings	25,365	31,030	30,159
Total, guaranteed loans:			
New guaranteed loans	9,513	12,754	12,467
Outstandings	44,825	50,237	49,228
ENERGY:			
DIRECT LOANS:			
Rural electrification and telecommunications:			
Loan disbursements	1,112	1,697	1,601

**Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION—
Continued**
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
Outstandings	31,816	32,333	32,556
Other, Energy:			
Loan disbursements	16	22	22
Outstandings	51	58	65
Total, direct loans:			
Loan disbursements	1,128	1,719	1,623
Outstandings	31,867	32,391	32,621
GUARANTEED LOANS:			
Rural electrification and telecommunications:			
New guaranteed loans			
Outstandings	409	389	369
Rural electrification and telecommunications guaranteed loans financing account:			
New guaranteed loans	16	133	176
Outstandings	16	147	320
Total, guaranteed loans:			
New guaranteed loans	16	133	176
Outstandings	425	536	689
NATURAL RESOURCES AND ENVIRONMENT:			
DIRECT LOANS:			
Watershed and flood prevention operations direct loans:			
Loan disbursements			7
Outstandings			7
Water and Related Resources:			
Loan disbursements			
Outstandings	3	3	2
Natural Resources and Environment:			
Loan disbursements	26	30	27
Outstandings	269	289	304
Total, direct loans:			
Loan disbursements	26	30	34
Outstandings	272	292	313
GUARANTEED LOANS:			
Presidio trust guaranteed loan financing account:			
New guaranteed loans			100
Outstandings			100
AGRICULTURE:			
DIRECT LOANS:			
Agricultural credit insurance fund:			
Loan disbursements	1,279	1,639	1,028
Outstandings	9,260	9,242	8,524
Farm storage facility direct loans:			
Loan disbursements		350	150
Outstandings		350	416
Commodity credit corporation fund:			
Loan disbursements	8,358	9,399	9,257
Outstandings	2,846	2,767	2,455
Public Law 480:			
Loan disbursements	401	777	195
Outstandings	2,498	3,268	3,453
Financial Assistance Corp. Loans:			
Loan disbursements			
Outstandings	900	883	868
Total, direct loans:			
Loan disbursements	10,038	12,165	10,630

**Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION—
Continued**
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
Outstandings	15,504	16,510	15,716
GUARANTEED LOANS:			
Agricultural credit insurance fund:			
New guaranteed loans	2,349	3,083	3,130
Outstandings	7,617	8,371	8,983
Commodity credit corporation export guarantees:			
New guaranteed loans	244	3,501	3,501
Outstandings	6,739	5,689	5,099
Other, Agriculture:			
New guaranteed loans .....	.....	.....	.....
Outstandings	24	24	24
Total, guaranteed loans:			
New guaranteed loans	2,593	6,584	6,631
Outstandings	14,380	14,084	14,106
COMMERCE AND HOUSING CREDIT:			
DIRECT LOANS:			
Rural Housing insurance fund:			
Loan disbursements	1,137	1,332	1,448
Outstandings	28,553	28,419	28,413
FHA-Mutual mortgage and cooperative housing insurance:			
Loan disbursements	1	90	227
Outstandings	7	87	284
FHA-General and special risk insurance:			
Loan disbursements	1	17	17
Outstandings	69	81	93
Housing for the elderly or handicapped fund liquidating account:			
Loan disbursements	3	.....	.....
Outstandings	8,045	7,958	7,872
GNMA-Guarantees of mortgage-backed securities:			
Loan disbursements	101	112	101
Outstandings	360	342	325
SBA-Business Loans:			
Loan disbursements	34	32	22
Outstandings	748	621	514
Spectrum Auction Direct Loans:			
Loan disbursements	733	2	2
Outstandings	8,287	8,279	8,243
Bank insurance fund:			
Loan disbursements .....	.....	.....	.....
Outstandings	100	.....	.....
FSLIC resolution fund:			
Loan disbursements .....	.....	.....	.....
Outstandings	75	64	64
Other, Commerce and Housing Credit:			
Loan disbursements	115	195	224
Outstandings	222	396	595
Total, direct loans:			
Loan disbursements	2,125	1,780	2,041
Outstandings	46,466	46,247	46,403
GUARANTEED LOANS:			
Rural Housing insurance fund:			
New guaranteed loans	3,085	2,966	3,497
Outstandings	9,795	12,080	14,738
Emergency oil and gas guaranteed loan financing account:			
New guaranteed loans .....	.....	500	.....
Outstandings .....	.....	500	450
Emergency steel guaranteed loan financing account:			
New guaranteed loans .....	.....	1,000	.....

**Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION—
Continued**
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
Outstandings		1,000	900
FHA-Mutual mortgage and cooperative housing insurance:			
New guaranteed loans	113,174	122,341	149,883
Outstandings	411,474	477,350	556,283
FHA-General and special risk insurance:			
New guaranteed loans	16,074	15,330	16,551
Outstandings	92,597	99,719	108,714
GNMA-Guarantees of mortgage-backed securities:			
New guaranteed loans	163,508	114,311	96,262
Outstandings	569,468	599,723	607,158
SBA-Business Loans:			
New guaranteed loans	10,787	7,535	7,739
Outstandings	39,419	42,990	46,819
Other, Commerce and Housing Credit:			
New guaranteed loans	2	5	5
Outstandings	174	133	93
Total, guaranteed loans:			
New guaranteed loans	306,630	263,988	273,937
Outstandings	1,122,927	1,233,495	1,335,155
TRANSPORTATION:			
DIRECT LOANS:			
Transportation infrastructure finance and innovation program direct loan financing account:			
Loan disbursements		992	858
Outstandings		992	1,850
Alameda Corridor direct loan financing account:			
Loan disbursements	120		
Outstandings	400	400	
Other, Transportation:			
Loan disbursements	39	10	10
Outstandings	264	235	206
Total, direct loans:			
Loan disbursements	159	1,002	868
Outstandings	664	1,627	2,056
GUARANTEED LOANS:			
Minority business resource center guaranteed loan financing account:			
New guaranteed loans			7
Outstandings			5
Transportation infrastructure finance and innovation program loan guarantee financing account:			
New guaranteed loans		1,320	880
Outstandings		1,320	2,200
Maritime Loan Guarantees:			
New guaranteed loans	1,767	1,505	40
Outstandings	3,291	4,573	4,324
Total, guaranteed loans:			
New guaranteed loans	1,767	2,825	927
Outstandings	3,291	5,893	6,529
COMMUNITY AND REGIONAL DEVELOPMENT:			
DIRECT LOANS:			
Distance learning and medical link loans:			
Loan disbursements	1	101	232
Outstandings	1	94	300
Rural development insurance fund:			
Loan disbursements	2		
Outstandings	3,470	3,189	2,931

**Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION—
Continued**
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
Rural water and waste disposal direct loans:			
Loan disbursements	619	835	862
Outstandings	3,345	4,131	4,934
Rural telephone bank loans:			
Loan disbursements	75	132	158
Outstandings	1,232	1,229	1,257
Rural community facility direct loans:			
Loan disbursements	168	226	178
Outstandings	747	951	1,104
Community development loan guarantees:			
Loan disbursements			
Outstandings	13	9	5
SBA, Disaster Loans:			
Loan disbursements	755	650	1,192
Outstandings	6,725	6,314	4,452
Other, Community and Regional Development:			
Loan disbursements	95	120	140
Outstandings	916	949	996
Total, direct loans:			
Loan disbursements	1,715	2,064	2,762
Outstandings	16,449	16,866	15,979
GUARANTEED LOANS:			
Rural development insurance fund:			
New guaranteed loans			
Outstandings	131	80	49
Rural community facility guaranteed loans:			
New guaranteed loans	59	131	165
Outstandings	194	313	460
Rural business and industry guaranteed loans:			
New guaranteed loans	1,027	1,134	1,059
Outstandings	2,763	3,719	4,557
Community development loan guarantees:			
New guaranteed loans	468	650	825
Outstandings	1,643	2,068	2,618
America's private investment companies financing account:			
New guaranteed loans		395	771
Outstandings		395	1,166
Other, Community and Regional Development:			
New guaranteed loans	52	129	126
Outstandings	180	270	358
Total, guaranteed loans:			
New guaranteed loans	1,606	2,439	2,946
Outstandings	4,911	6,845	9,208
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:			
DIRECT LOANS:			
School Renovation, direct loan financing account:			
Loan disbursements			327
Outstandings			281
Historically black college and university capital financing, direct loan financing account:			
Loan disbursements	6	25	25
Outstandings	11	36	61
Student financial assistance:			
Loan disbursements			
Outstandings	64	58	56
Federal direct student loan program, financing account:			
Loan disbursements	18,070	14,636	15,429
Outstandings	45,830	58,476	71,011

**Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION—
Continued**
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
Other, Education, Training, Employment and Social Services:			
Loan disbursements	4	1	4
Outstandings	544	502	463
Total, direct loans:			
Loan disbursements	18,080	14,662	15,785
Outstandings	46,449	59,072	71,872
GUARANTEED LOANS:			
Federal family education loan liquidating account:			
New guaranteed loans			
Outstandings	13,910	9,826	7,045
Federal family education loan program, financing account:			
New guaranteed loans	21,914	25,261	26,472
Outstandings	112,768	122,292	130,250
Total, guaranteed loans:			
New guaranteed loans	21,914	25,261	26,472
Outstandings	126,678	132,118	137,295
HEALTH:			
DIRECT LOANS:			
Other, Health:			
Loan disbursements			
Outstandings	15	8	
GUARANTEED LOANS:			
Health Professions Graduate Student Loans:			
New guaranteed loans			
Outstandings	2,894	2,788	2,671
Other, Health:			
New guaranteed loans		100	51
Outstandings	54	124	160
Total, guaranteed loans:			
New guaranteed loans		100	51
Outstandings	2,948	2,912	2,831
INCOME SECURITY:			
DIRECT LOANS:			
Low-rent public housing—loans and other expenses:			
Loan disbursements			
Outstandings	1,421	1,350	1,279
Other, Income Security:			
Loan disbursements	17	14	20
Outstandings	787	797	813
Total, direct loans:			
Loan disbursements	17	14	20
Outstandings	2,208	2,147	2,092
GUARANTEED LOANS:			
Low-rent public housing—loans and other expenses:			
New guaranteed loans			
Outstandings	3,026	2,745	2,464
Other, Income Security:			
New guaranteed loans	17	95	83
Outstandings	47	136	213
Total, guaranteed loans:			
New guaranteed loans	17	95	83
Outstandings	3,073	2,881	2,677

**Table 32-3. DIRECT AND GUARANTEED LOANS BY FUNCTION—
Continued**
(In millions of dollars)

Function	1999 Actual	Estimate	
		2000	2001
VETERANS BENEFITS AND SERVICES:			
DIRECT LOANS:			
Native American Veterans Housing Loans:			
Loan disbursements	2	2	1
Outstandings	17	19	20
Veterans Housing Loans:			
Loan disbursements	1,658	2,001	658
Outstandings	1,905	1,748	1,433
Other, Veterans Benefits:			
Loan disbursements			
Outstandings	1	1	1
Total, direct loans:			
Loan disbursements	1,660	2,003	659
Outstandings	1,923	1,768	1,454
GUARANTEED LOANS:			
Veterans Housing Loans:			
New guaranteed loans	43,091	32,136	29,548
Outstandings	221,289	219,531	213,085
GENERAL GOVERNMENT:			
DIRECT LOANS:			
Assistance to American Samoa Direct Loan Financing Account:			
Loan disbursements		14	5
Outstandings		13	17
Columbia hospital for women direct loan financing account:			
Loan disbursements		14	
Outstandings		14	14
General Government Loans:			
Loan disbursements			
Outstandings	16	15	14
Total, direct loans:			
Loan disbursements		28	5
Outstandings	16	42	45
FEDERAL GOVERNMENT TOTALS:			
DIRECT LOANS:			
Loan disbursements	37,729	37,291	35,846
Outstandings	200,416	214,520	224,371
GUARANTEED LOANS (GROSS):			
New guaranteed loans	388,160	348,340	354,137
Outstandings	1,545,214	1,669,031	1,771,395
LESS SECONDARY GUARANTEED LOANS:¹			
New guaranteed loans	-163,508	-114,311	-96,262
Outstandings	-569,468	-599,723	-607,158
TOTAL, PRIMARY GUARANTEED LOANS			
New guaranteed loans	224,652	234,029	257,875
Outstandings	975,746	1,069,308	1,164,237

¹Loans guaranteed by FHA, VA or RHS are included above. GNMA places a secondary guarantee on these loans, so they are deducted here to avoid double counting in the totals.

Table 32-4. TAX EXPENDITURES BY FUNCTION

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001- 2005
	1999	2000	2001	2002	2003	2004	2005	
National defense:								
Current law tax expenditures:								
Exclusion of benefits and allowances to armed forces personnel	2,120	2,140	2,160	2,180	2,200	2,220	2,240	11,000
International affairs:								
Current law tax expenditures:								
Exclusion of income earned abroad by U.S. citizens	2,330	2,550	2,790	3,040	3,285	3,545	3,825	16,485
Exclusion of certain allowances for Federal employees abroad	635	665	695	725	760	795	830	3,805
Exclusion of income of foreign sales corporations	3,640	3,890	4,160	4,460	4,770	5,100	5,460	23,950
Inventory property sales source rules exception	1,050	1,100	1,150	1,250	1,350	1,450	1,550	6,750
Deferral of income from controlled foreign corporations (normal tax method)	5,800	6,200	6,600	7,000	7,450	7,900	8,400	37,350
Deferred taxes for financial firms on certain income earned overseas	960	1,190	1,290	540				1,830
Total, current law tax expenditures	14,415	15,595	16,685	17,015	17,615	18,790	20,065	90,170
Proposals affecting tax expenditures:								
Simplify the foreign tax credit limitation for dividends from 10/50 companies		80	168	102	46	-10	-27	279
General science, space, and technology:								
Current law tax expenditures:								
Expensing of research and experimentation expenditures (normal tax method)	1,890	1,865	1,885	1,965	2,090	2,245	2,410	10,595
Credit for increasing research activities	1,705	1,010	3,360	3,710	2,970	2,605	1,505	14,150
Total, current law tax expenditures	3,595	2,875	5,245	5,675	5,060	4,850	3,915	24,745
Energy:								
Current law tax expenditures:								
Expensing of exploration and development costs, fuels	-80	-15	-30	-10	15	15	15	5
Excess of percentage over cost depletion, fuels	265	275	280	280	285	290	290	1,425
Alternative fuel production credit	1,025	960	905	845	125	125	125	2,125
Exception from passive loss limitation for working interests in oil and gas properties	30	25	25	25	25	25	25	125
Capital gains treatment of royalties on coal	65	65	70	70	75	80	85	380
Exclusion of interest on energy facility bonds	115	115	115	120	120	120	120	595
Enhanced oil recovery credit	225	260	295	340	390	450	515	1,990
New technology credit	50	60	80	90	90	90	85	435
Alcohol fuel credit ¹	15	15	15	15	15	15	15	75
Tax credit and deduction for clean-fuel burning vehicles and properties	85	90	105	100	80	55	20	360
Exclusion from income of conservation subsidies provided by public utilities	85	80	80	80	85	85	85	415
Total, current law tax expenditures	1,880	1,930	1,940	1,955	1,305	1,350	1,380	7,930
Proposals affecting tax expenditures:								
Provide tax credit for energy-efficient building equipment			18	35	49	71	28	201
Provide tax credit for new energy-efficient homes			82	150	194	134	73	633
Extend electric vehicle tax credit and provide tax credit for hybrid vehicles				4	182	700	1,192	2,078
Provide 15-year depreciable life for distributed power property			1	1	2	3	3	10
Extend and modify the tax credit for producing electricity from certain sources			91	173	220	231	261	976
Provide tax credit for solar energy systems ..			9	19	25	34	45	132

Table 32-4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001- 2005
	1999	2000	2001	2002	2003	2004	2005	
Electricity restructuring			-3	-11	-20	-30	-41	-105
Total, proposals affecting tax expenditures ...			198	371	652	1,143	1,561	3,925
Natural resources and environment:								
Current law tax expenditures:								
Expensing of exploration and development costs, nonfuel minerals	15	15	20	20	20	20	20	100
Excess of percentage over cost depletion, nonfuel minerals	225	230	245	250	265	275	285	1,320
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	460	460	470	475	480	480	490	2,395
Capital gains treatment of certain timber income	65	65	70	70	75	80	85	380
Expensing of multiperiod timber growing costs	495	500	530	565	590	605	630	2,920
Investment credit and seven-year amortization for reforestation expenditures	10	10	10	15	15	15	15	70
Tax incentives for preservation of historic structures	210	220	240	250	265	280	295	1,330
Total, current law tax expenditures	1,480	1,500	1,585	1,645	1,710	1,755	1,820	8,515
Proposals affecting tax expenditures:								
Provide Better America Bonds to improve the environment			8	41	112	214	315	690
Agriculture:								
Current law tax expenditures:								
Expensing of certain capital outlays	70	70	75	75	80	85	90	405
Expensing of certain multiperiod production costs	85	85	90	95	105	110	110	510
Treatment of loans for solvent farmers	10	10	10	10	10	10	10	50
Capital gains treatment of certain income	635	665	695	725	760	795	830	3,805
Income averaging for farmers	75	75	80	80	80	85	85	410
Deferral of gain on sale of farm refiners	10	10	10	10	15	15	15	65
Total, current law tax expenditures	885	915	960	995	1,050	1,100	1,140	5,245
Commerce and housing:								
Current law tax expenditures:								
Financial institutions and insurance:								
Exemption of credit union income	1,470	1,550	1,650	1,765	1,890	2,020	2,155	9,480
Excess bad debt reserves of financial institutions	60	65	55	45	35	20	5	160
Exclusion of interest on life insurance savings	13,920	14,985	16,130	17,365	18,870	20,130	21,680	94,175
Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
Tax exemption of insurance companies owned by tax-exempt organizations	220	225	235	240	250	255	265	1,245
Small life insurance company deduction	100	100	100	100	100	105	105	510
Housing:								
Exclusion of interest on owner-occupied mortgage subsidy bonds	905	915	920	930	940	950	955	4,695
Exclusion of interest on rental housing bonds	155	155	160	160	160	160	160	800
Deductibility of mortgage interest on owner-occupied homes	56,920	58,815	60,925	63,240	65,955	68,965	72,160	331,245
Deductibility of State and local property tax on owner-occupied homes	21,215	22,185	23,075	24,000	24,980	25,915	26,840	124,810
Deferral of income from post-1987 installment sales	995	1,015	1,035	1,055	1,075	1,095	1,115	5,375
Capital gains exclusion on home sales	18,000	18,540	19,095	19,670	20,260	20,870	21,495	101,390
Exception from passive loss rules for \$25,000 of rental loss	5,315	5,035	4,790	4,555	4,330	4,100	3,885	21,660
Credit for low-income housing investment	2,820	3,055	3,195	3,300	3,405	3,485	3,540	16,925

Table 32-4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001- 2005
	1999	2000	2001	2002	2003	2004	2005	
Accelerated depreciation on rental housing (normal tax method)	3,710	3,985	4,225	4,500	4,765	4,975	5,145	23,610
Commerce:								
Cancellation of indebtedness	40	25	15	15	20	20	25	95
Exceptions from imputed interest rules	160	160	160	165	165	165	165	820
Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method)	39,405	40,575	41,780	43,025	44,300	45,615	46,965	221,685
Capital gains exclusion of small corporation stock	5	5	5	5	5	5	5	25
Step-up basis of capital gains at death	25,800	27,090	28,240	29,370	30,545	31,765	33,035	152,955
Carryover basis of capital gains on gifts	175	185	195	205	210	220	230	1,060
Ordinary income treatment of loss from small business corporation stock sale	35	35	40	40	40	40	40	200
Accelerated depreciation of buildings other than rental housing (normal tax method)	1,660	710	-435	-755	-1,115	-1,695	-2,145	-6,145
Accelerated depreciation of machinery and equipment (normal tax method)	26,445	27,740	32,830	33,345	34,265	36,390	37,330	174,160
Expensing of certain small investments (normal tax method)	1,465	1,590	1,925	1,965	1,920	1,895	1,905	9,610
Amortization of start-up costs (normal tax method)	200	205	205	215	215	220	225	1,080
Graduated corporation income tax rate (normal tax method)	6,360	6,300	6,275	6,460	6,490	6,710	6,815	32,750
Exclusion of interest on small-issue bonds	310	315	315	320	320	325	330	1,610
Total, current law tax expenditures	227,870	235,565	247,145	255,305	264,400	274,725	284,435	1,326,010
Proposals affecting tax expenditures:								
Increase and index low-income housing tax credit per-capita cap			6	55	168	306	448	983
Bridge the Digital Divide			107	272	344	289	207	*
Simplify, retarget and expand expensing for small business			217	206	19	86	135	663
Total, proposals affecting tax expenditures ...			330	533	531	681	790	2,865
Transportation:								
Current law tax expenditures:								
Deferral of tax on shipping companies	15	15	15	15	15	15	15	75
Exclusion of reimbursed employee parking expenses	1,725	1,805	1,895	1,995	2,100	2,210	2,330	10,530
Exclusion for employer-provided transit passes	130	150	170	190	215	235	260	1,070
Total, current law tax expenditures	1,870	1,970	2,080	2,200	2,330	2,460	2,605	11,675
Community and regional development:								
Current law tax expenditures:								
Investment credit for rehabilitation of structures (other than historic)	25	25	30	30	30	30	30	150
Exclusion of interest for airport, dock, and similar bonds	730	735	740	750	755	765	770	3,780
Exemption of certain mutuals and cooperatives income	60	60	60	65	65	65	70	325
Empowerment zones and enterprise communities	330	445	500	465	330	300	260	1,855
Expensing of environmental remediation costs	115	150	175	60	-30	-35	-30	140
Total, current law tax expenditures	1,260	1,415	1,505	1,370	1,150	1,125	1,100	6,250
Proposals affecting tax expenditures:								
Provide New Markets Tax Credit			30	222	515	743	940	2,450
Extend Empowerment Zone (EZ) tax incentives and authorize additional EZs			36	167	333	452	568	

Table 32-4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001– 2005
	1999	2000	2001	2002	2003	2004	2005	
Make permanent the expensing of brownfields remediation costs				98	152	146	140	536
Total, proposals affecting tax expenditures			66	487	1,000	1,341	1,648	4,542
Education, training, employment, and social services:								
Current law tax expenditures:								
Education:								
Exclusion of scholarship and fellowship income (normal tax method)	1,085	1,110	1,120	1,130	1,140	1,150	1,165	5,705
HOPE tax credit	4,595	4,925	5,125	5,145	4,745	4,615	5,335	24,965
Lifetime Learning tax credit	2,170	2,375	2,420	2,465	4,405	4,430	4,630	18,350
Education Individual Retirement Accounts		10	25	40	60	80	105	310
Deductibility of student-loan interest	240	265	310	350	375	395	430	1,860
Deferral of state prepaid tuition plans	120	175	225	275	320	350	385	1,555
Exclusion of interest on student loan bonds	245	250	255	255	255	260	260	1,285
Exclusion of interest on bonds for private nonprofit educational facilities	590	595	600	600	610	615	620	3,045
Credit for holders of zone academy bonds	5	10	20	35	50	65	70	240
Exclusion of interest on savings bonds transferred to educational institutions ...	10	15	15	15	15	20	20	85
Parental personal exemption for students age 19 or over	915	965	1,015	1,055	1,105	1,155	1,185	5,515
Deductibility of charitable contributions (education)	2,525	2,650	2,765	2,910	3,035	3,140	3,300	15,150
Exclusion of employer provided educational assistance	220	235	250	175				425
Training, employment, and social services:								
Work opportunity tax credit	270	455	465	350	215	95	35	1,160
Welfare-to-work tax credit	35	60	80	80	60	25	10	255
Exclusion of employer provided child care	645	670	700	725	765	805	850	3,845
Adoption assistance	125	140	140	125	40	15	10	330
Exclusion of employee meals and lodging (other than military)	650	680	710	740	775	810	845	3,880
Credit for disabled access expenditures	50	50	55	55	55	60	60	285
Expensing of costs of removing certain architectural barriers to the handicapped			5	5	5	5	5	25
Deductibility of charitable contributions, other than education and health	19,220	20,015	20,860	21,780	22,750	23,765	24,895	114,050
Exclusion of certain foster care payments	35	40	40	45	45	50	50	230
Exclusion of parsonage allowances	320	340	365	390	415	445	475	2,090
Total, current law tax expenditures	34,070	36,030	37,565	38,745	41,240	42,350	44,740	204,640
Proposals affecting tax expenditures:								
Provide College Opportunity tax cut			395	2,009	2,323	3,103	3,262	11,092
Provide incentives for public school construction and modernization			36	174	419	739	1,020	2,388
Expand exclusion for employer-provided educational assistance to include graduate education		66	275	90				365
Eliminate 60-month limit on student loan interest deduction			23	80	87	89	93	372
Eliminate tax when forgiving student loans subject to income contingent repayment								
Provide tax relief for participants in certain Federal education programs			3	7	7	7	6	30
Provide tax incentives for employer-provided childcare facilities			42	88	121	140	148	539
Replace support test with residency test (limited to children)			66	97	102	107	112	484
Allow deduction for charitable contributions by non-itemizing taxpayers			516	1,062	733	765	817	3,893

Table 32-4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001– 2005
	1999	2000	2001	2002	2003	2004	2005	
Increase limit on charitable donations of appreciated property			7	47	29	20	12	115
Total, proposals affecting tax expenditures ...		66	1,363	3,654	3,821	4,970	5,470	19,278
Health:								
Current law tax expenditures:								
Exclusion of employer contributions for medical insurance premiums and medical care	69,610	75,095	80,570	86,175	90,655	95,960	102,725	456,085
Self-employed medical insurance premiums	935	1,250	1,380	1,545	2,070	2,905	3,210	11,110
Workers' compensation insurance premiums	4,420	4,585	4,555	4,935	5,120	5,315	5,515	25,440
Medical savings accounts	20	30	30	30	30	30	25	145
Deductibility of medical expenses	3,695	3,910	4,160	4,440	4,720	5,005	5,305	23,630
Exclusion of interest on hospital construction bonds	1,210	1,225	1,235	1,250	1,265	1,275	1,290	6,315
Deductibility of charitable contributions (health)	2,675	2,800	2,930	3,080	3,210	3,315	3,490	16,025
Tax credit for orphan drug research	70	80	90	100	115	130	140	575
Special Blue Cross/Blue Shield deduction	245	315	200	135	180	245	315	1,075
Total, current law tax expenditures	82,880	89,290	95,150	101,690	107,365	114,180	122,015	540,400
Proposals affecting tax expenditures:								
Assist taxpayers with long-term care needs ..			109	1,150	1,681	2,427	3,028	8,395
Encourage COBRA continuation coverage ...				41	858	1,149	1,286	3,334
Provide tax credit for Medicare buy-in program				5	105	140	164	414
Provide tax relief for workers with disabilities			18	128	143	158	165	612
Provide tax relief to encourage small business health plans			1	9	22	35	38	105
Encourage development of vaccines for targeted diseases								
Total, proposals affecting tax expenditures ...			128	1,333	2,809	3,909	4,681	12,860
Income security:								
Current law tax expenditures:								
Exclusion of railroad retirement system benefits	395	405	410	415	420	430	430	2,105
Exclusion of workmen's compensation benefits	5,185	5,330	5,785	6,040	6,310	6,575	6,865	31,575
Exclusion of public assistance benefits (normal tax method)	345	360	375	390	405	420	435	2,025
Exclusion of special benefits for disabled coal miners	75	75	70	70	65	60	55	320
Exclusion of military disability pensions	130	130	135	140	140	145	150	710
Net exclusion of pension contributions and earnings:								
Employer plans	83,780	88,830	92,390	97,085	102,575	108,020	113,705	513,775
Individual Retirement Accounts	13,350	15,050	15,975	17,030	17,630	18,250	18,750	87,635
Keogh plans	5,230	5,550	5,895	6,255	6,635	7,040	7,465	33,290
Exclusion of other employee benefits:								
Premiums on group term life insurance ...	1,700	1,740	1,780	1,820	1,860	1,915	1,970	9,345
Premiums on accident and disability insurance	185	195	205	215	225	235	245	1,125
Income of trusts to finance supplementary unemployment benefits				5	5	5	5	20
Special ESOP rules	1,130	1,175	1,205	1,250	1,300	1,360	1,425	6,540
Additional deduction for the blind	30	30	30	30	35	35	35	165
Additional deduction for the elderly	1,785	1,830	1,890	1,955	1,985	2,030	2,110	9,970
Tax credit for the elderly and disabled	35	35	35	35	35	35	35	175
Deductibility of casualty losses	255	265	275	285	295	310	325	1,490
Child credit ²	19,435	19,575	19,480	18,970	18,155	17,535	16,855	90,995
Earned income tax credit ³	4,825	4,700	4,790	4,985	5,205	5,440	5,740	26,160

Table 32-4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001– 2005
	1999	2000	2001	2002	2003	2004	2005	
Credit for child and dependent care expenses	2,420	2,390	2,360	2,330	2,305	2,275	2,250	11,520
Total, current law tax expenditures	140,290	147,665	153,085	159,305	165,585	172,115	178,850	828,940
Proposals affecting tax expenditures:								
Increase, expand and simplify child and dependent care tax credit ⁴			121	589	922	1,288	1,643	4,563
Increase and simplify the earned income tax credit ⁵			2,293	1,936	1,967	1,992	2,001	7,993
Provide marriage penalty relief; increase standard deduction			248	843	1,536	2,130	4,637	9,394
Establish Retirement Savings Accounts				657	2,185	2,290	4,034	9,166
Provide small business tax credit for automatic contributions for non-highly compensated employees				157	648	1,878	3,074	5,757
Provide tax credit for plan start up and administrative expenses; provide for payroll deduction IRAs		1	18	35	61	92	135	341
Provide for the SMART plan			44	65	66	68	70	313
Enhance the 401(k) SIMPLE plan			25	61	108	161	236	591
Accelerate vesting for qualified plans			-214	-137	-104	-66	-29	-550
Other changes affecting retirement savings, security and portability			53	207	288	377	450	1,375
Make first \$2,000 of severance pay exempt from income tax			43	174	180	138		535
Exempt holocaust reparations from Federal income tax		4	17	18	19	15	138	207
Total, proposals affecting tax expenditures		5	2,648	4,605	7,876	10,363	16,389	39,685
Social Security:								
Current law tax expenditures:								
Exclusion of social security benefits:								
Social Security benefits for retired workers	17,135	18,010	18,885	19,995	21,230	22,505	16,515	99,130
Social Security benefits for disabled	2,390	2,595	2,830	3,090	3,375	3,700	3,150	16,145
Social Security benefits for dependents and survivors	3,775	3,900	4,050	4,210	4,385	4,555	3,625	20,825
Total, current law tax expenditures	23,300	24,505	25,765	27,295	28,990	30,760	23,290	136,100
Veterans benefits and services:								
Current law tax expenditures:								
Exclusion of veterans death benefits and disability compensation								
	2,940	3,070	3,200	3,335	3,490	3,655	3,830	17,510
Exclusion of veterans pensions	65	70	75	80	85	85	90	415
Exclusion of Montgomery GI bill benefits	75	85	90	90	95	100	105	480
Exclusion of interest on veterans housing bonds	40	40	40	40	40	40	40	200
Total, current law tax expenditures	3,120	3,265	3,405	3,545	3,710	3,880	4,065	18,605
General purpose fiscal assistance:								
Current law tax expenditures:								
Exclusion of interest on public purpose bonds								
	22,750	22,975	23,205	23,440	23,670	23,905	24,145	118,365
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	37,740	40,240	42,390	44,735	47,610	50,530	53,480	238,745
Tax credit for corporations receiving income from doing business in U.S. possessions	2,515	2,590	2,670	2,600	2,550	2,600	2,650	13,070
Total, current law tax expenditures	63,005	65,805	68,265	70,775	73,830	77,035	80,275	370,180
Proposals affecting tax expenditures:								
Provide tax credit to encourage electronic filing of individual income tax returns ⁶				192	207	208	209	816
Extend and modify Puerto Rico economic-activity tax credit			35	67	101	134	166	503

Table 32-4. TAX EXPENDITURES BY FUNCTION—Continued
(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2001– 2005
	1999	2000	2001	2002	2003	2004	2005	
Total, proposals affecting tax expenditures ...			35	259	308	342	375	1,319
Interest:								
Current law tax expenditures:								
Deferral of interest on U.S. savings bonds	1,015	1,065	1,115	1,175	1,235	1,295	1,355	6,175

Notes:

* \$2.5 million or less.

Revenue loss estimates for new proposals are not directly comparable to estimates for current law tax expenditures, because the current law estimates do not reflect behavioral effects. Total revenue loss estimates by function are calculated here as the simple totals for the provisions listed for each function. Because of interactions across provisions, these estimates are only rough approximations of the total revenue loss for the functions.

Negative numbers for proposals affecting tax expenditures indicate the expected increase in receipts; positive numbers indicate the expected decrease in receipts. Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method. For a discussion of these alternative baselines, see Chapter 5 of Analytical Perspectives.

All current law tax expenditure estimates have been rounded to the nearest \$5 million.

Current law tax expenditure estimates here are the arithmetic sums of corporate and individual income tax revenue loss estimates from Table 5-2 in Analytical Perspectives, and do not reflect possible interactions across these two taxes.

¹In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1998 \$680; 1999 \$725; 2000 \$755; 2001 \$765; 2002 \$790; 2003 \$805; 2004 \$830.

²The figures in the table indicate the effect of the child credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1999 \$445; 2000 \$550; 2001 \$520; 2002 \$505; 2003 \$460; 2004 \$450; 2005 \$420.

³The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1999 \$25,632; 2000 \$25,676; 2001 \$25,799; 2002 \$26,876; 2003 \$27,638; 2004 \$28,701; 2005 \$29,722.

⁴The figures in the table indicate the effect of the child and dependent care tax credit proposal on receipts. The effect on outlays in (in millions of dollars) is as follows: 2004 \$1,427; 2005 \$1,501.

⁵The figures in the table indicate the effect of the earned income tax credit proposal on receipts. The effect on outlays in (in millions of dollars) is as follows: 2001 \$15; 2002 \$304; 2003 \$314; 2004 \$326; 2005 \$339.

⁶The figures in the table indicate the effect of the electronic filers tax credit proposal on receipts. The effect on outlays in (in millions of dollars) is as follows: 2002 \$303; 2003 \$324; 2004 \$331; 2005 \$339.

VI. SUMMARY TABLES

Table S-1. Framework for Social Security and Medicare Reform and Fiscal Discipline

(In billions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001–2005	2001–2010
Current Services Unified Surplus	179	171	197	193	213	247	304	347	377	411	457	1,022	2,919
Allocation of Surplus:													
Social Security solvency lock-box	148	160	172	184	195	214	224	239	250	260	272	924	2,169
Health initiatives:													
Medicare solvency		15	13				26	47	57	61	80	28	299
Reserve for catastrophic prescription drug coverage							4	5	7	8	11		35
Prescription drugs		–*	–1	4	10	10	11	13	15	17	20	22	98
Health coverage		1	2	3	5	6	10	14	15	16	18	18	91
Subtotal, health initiatives		16	14	7	15	16	51	79	93	103	128	68	523
Discretionary savings:													
Department of Defense	2	1	–2	–2	–1	5	2	–2	*	*	*	1	3
Non-Defense	1	–4	2	–*	–3	–5	–5	–5	–5	–5	–5	–10	–35
Subtotal, discretionary	2	–3	*	–2	–4	*	–3	–7	–5	–4	–4	–8	–32
Net tax cut	*	*	4	10	17	24	37	39	38	42	45	55	256
Farm safety net	1	4	4	1	1	1	1	1	1	1	1	10	14
Other mandatory and offsets	–*	–1	*	–*	–1	–2	–2	–2	–2	–2	–2	–4	–14
Tobacco policy	–*	–4	–4	–4	–10	–10	–10	–9	–9	–3	–3	–31	–66
Restoring budgetary conventions	10	–10	4	–4								–10	–10
Debt service	*	*	*	1	1	3	5	8	11	15	20	5	64
Remaining On-Budget Surplus	19	9	1	*	*	2	1	1	*	*	*	13	16
Memorandum—debt reduction:													
Social Security solvency lock-box	148	160	172	184	195	214	224	239	250	260	272	924	2,169
Medicare solvency		15	13				26	47	57	61	80	28	299
Reserve for catastrophic prescription drug coverage							4	5	7	8	11		35
On-budget surplus	19	9	1	*	*	2	1	1	*	*	*	13	16
Total debt reduction	167	184	186	185	195	215	256	292	314	329	363	965	2,519

*\$500 million or less.

Table S-2. Current Services Surpluses
(In billions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total	
												2001-2005	2001-2010
Unified surplus	179	171	197	193	213	247	304	347	377	411	457	1,022	2,919
Off-budget	148	160	173	185	195	214	225	239	250	260	272	926	2,173
On-budget	32	11	25	8	18	33	80	108	127	151	184	95	746

Table S-3. Budget Summary
(In billions of dollars)

	1999 Actual	Estimates										
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Outlays:												
Discretionary:												
Department of Defense	262	278	279	285	294	303	317	318	322	332	341	349
Non-DoD discretionary	313	339	355	366	371	378	384	393	402	412	421	431
Subtotal, discretionary	575	618	634	651	665	681	701	711	724	744	762	781
Mandatory:												
Social Security	387	403	422	443	465	490	516	545	575	608	645	685
Medicare and Medicaid	296	316	342	362	389	426	462	489	535	574	617	661
Means-tested entitlements (except Medicaid)	104	110	111	119	126	131	139	140	141	150	154	160
Other	112	123	117	121	128	136	144	150	157	168	177	187
Subtotal, mandatory	898	952	993	1,046	1,108	1,183	1,260	1,324	1,408	1,500	1,594	1,693
Net interest	230	220	208	199	189	178	164	150	134	118	100	80
Total outlays	1,703	1,790	1,835	1,895	1,963	2,041	2,125	2,185	2,267	2,362	2,456	2,553
Receipts	1,827	1,956	2,019	2,081	2,147	2,236	2,341	2,440	2,559	2,676	2,785	2,917
Unified Budget Surplus	124	167	184	186	185	195	215	256	292	314	329	363
Surplus Allocated for Debt Reduction:												
Social Security solvency lock-box	124	148	160	172	184	195	214	224	239	250	260	272
Medicare solvency transfers			15	13				26	47	57	61	80
Reserve for catastrophic prescription drug coverage								4	5	7	8	11
On-budget surplus	1	19	9	1	*	*	2	1	1	*	*	*
Total debt reduction	124	167	184	186	185	195	215	256	292	314	329	363
Memorandum:												
Discretionary outlays net of offsets ¹	575	618	626	649	663	679	699	709	723	743	762	780

* \$500 million or less.

¹ Offsets for 1999 and 2000 have been reclassified as mandatory.

Table S-4. Summary of Mandatory and Revenue Proposals¹

(In billions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001-2005	2001-2010
Health proposals:													
Medicare:													
President's Medicare Reform Plan:													
Prescription Drug Benefit, Medicare Buy-in, and other initiatives			0.2	7.4	15.3	17.7	19.9	22.7	25.1	28.3	31.4	40.8	168.2
Fee-for-service modernization, Competitive Defined Benefit, and other savings		-*	-0.4	-2.3	-4.4	-7.0	-8.1	-9.0	-9.7	-10.2	-11.0	-14.1	-62.1
Other initiatives, offsets, and interactions		-0.5	-1.2	-1.1	-0.8	-0.8	-0.7	-0.7	-0.7	-0.8	-0.8	-4.4	-7.9
Total Medicare proposals		-0.5	-1.3	4.0	10.1	9.9	11.2	13.0	14.8	17.4	19.6	22.3	98.2
Medicaid/SCHIP:													
Family coverage Medicaid/SCHIP initiative		0.8	1.6	2.6	3.8	5.0	8.9	12.0	12.8	13.7	14.8	13.8	76.0
Benefits for legal immigrant children, pregnant women, and the disabled		0.1	0.1	0.2	0.3	0.5	0.6	0.8	1.1	1.3	1.5	1.2	6.5
Other initiatives (accelerating SCHIP/Medicaid children, etc.)		0.4	1.0	1.1	1.3	1.2	1.4	1.6	1.7	1.9	2.0	4.9	13.6
Other offsets (cost allocation, generic drugs, etc.)		-0.1	-0.3	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.4	-2.4	-5.6
Total Medicaid/SCHIP proposals		1.1	2.4	3.3	4.7	6.0	10.3	13.8	14.9	16.2	17.9	17.5	90.5
Total health proposals		0.7	1.1	7.3	14.8	15.9	21.5	26.8	29.6	33.5	37.4	39.8	188.6
Revenue proposals:													
Gross tax cuts including refundable tax credits	0.2	5.9	13.4	19.8	27.4	35.3	46.0	48.0	47.7	52.2	55.7	101.7	351.4
Tax offsets	-0.2	-5.9	-9.2	-9.7	-10.7	-11.7	-9.3	-9.3	-9.6	-10.0	-10.3	-47.2	-95.6
Net revenue proposals	0.1	*	4.2	10.1	16.7	23.6	36.7	38.7	38.1	42.3	45.3	54.6	255.7
Other mandatory and revenue proposals:													
Initiatives:													
Farm safety net programs	0.7	4.2	4.3	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	10.4	14.0
Legal immigrant and income support initiatives		*	0.2	0.5	0.8	0.9	1.1	1.2	1.5	1.7	1.9	2.5	9.9
Child care: Early learning fund		0.4	0.6	0.6	0.6	0.6	0.2	*				2.8	3.0
Fund Round II Urban Empowerment Zones		*	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.5	1.2
Extend welfare-to-work	-0.1	-0.5	0.2	0.3	0.1							0.1	0.1
Payments to Social Security for military service credits		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.5	3.0
Other		*	0.7	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.4	3.0	4.8
Total initiatives	0.6	5.1	6.5	2.9	2.9	3.1	2.8	2.8	3.1	3.3	3.4	20.6	36.0

Table S-4. Summary of Mandatory and Revenue Proposals¹—Continued

(In billions of dollars)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001–2005	2001–2010
Offsets for mandatory:													
Superfund tax extension	-0.2	-1.4	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.4	-6.3	-12.9
Extend customs user fees					-1.5	-1.5	-1.6	-1.7	-1.7	-1.8	-1.9	-3.0	-11.8
Education student loan offsets			-0.4	-0.5	-0.3	-0.3	-0.2	-0.3	-0.4	-0.4	-0.4	-1.6	-3.2
Other		-0.3	-0.4	-0.7	-0.7	-0.9	-1.0	-1.1	-1.1	-0.8	-1.2	-3.0	-8.2
Total offsets for mandatory	-0.2	-1.7	-2.0	-2.4	-3.7	-4.0	-4.1	-4.3	-4.6	-4.3	-4.9	-13.9	-36.1
Offsets for discretionary:													
FAA user fees		-0.7	-1.4	-1.5	-1.5	-1.5	-1.2	-0.8	-0.4			-6.7	-9.0
Harbor services fees		-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-1.7	-2.8
Federal reserve transfer		-3.8										-3.8	-3.8
Other		-2.6	-0.5	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-3.7	-4.9
Total offsets for discretionary		-7.5	-2.3	-2.0	-2.0	-2.0	-1.7	-1.3	-0.8	-0.4	-0.4	-15.8	-20.5
Repeal mandatory timing shifts	4.0	-4.0	4.5	-4.5								-4.0	-4.0
Total other proposals	4.5	-8.1	6.7	-6.0	-2.8	-2.9	-3.0	-2.8	-2.3	-1.5	-1.9	-13.0	-24.6
Tobacco policy	-0.4	-4.1	-3.7	-3.5	-10.1	-9.7	-9.8	-9.4	-9.2	-3.1	-3.1	-31.2	-65.9
Total, mandatory and revenue proposals ..	4.1	-11.5	8.3	7.9	18.5	26.9	45.4	53.3	56.1	71.1	77.7	50.2	353.9
Memorandum:													
Medicare solvency		15.4	12.6				26.0	47.0	57.0	61.0	80.0	28.0	299.0
Reserve for catastrophic prescription drug coverage							4.0	5.0	6.8	8.4	10.8		35.0

* \$50 million or less.

¹ Additional details on mandatory and revenue proposals are shown on tables S-10 and S-12, respectively.

Table S-5. Health Initiatives
(In billions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001-2005	2001-2010
Medicare solvency		15.4	12.6				26.0	47.0	57.0	61.0	80.0	28.0	299.0
Reserve for catastrophic prescription drug coverage							4.0	5.0	6.8	8.4	10.8		35.0
Medicare Modernization:													
President's Medicare Reform Plan:													
Prescription Drug Benefit, Medicare Buy-in, and other initiatives			0.2	7.4	15.3	17.7	19.9	22.7	25.1	28.3	31.4	40.8	168.2
Fee-for-service modernization, Competitive Defined Benefit, and other savings		-*	-0.4	-2.3	-4.4	-7.0	-8.1	-9.0	-9.7	-10.2	-11.0	-14.1	-62.1
Other initiatives, offsets, and interactions		-0.5	-1.2	-1.1	-0.8	-0.8	-0.7	-0.7	-0.7	-0.8	-0.8	-4.4	-7.9
Total Medicare proposals		-0.5	-1.3	4.0	10.1	9.9	11.2	13.0	14.8	17.4	19.6	22.3	98.2
Health Coverage Initiative:													
Medicaid/SCHIP:													
Family coverage Medicaid/SCHIP initiative		0.8	1.6	2.6	3.8	5.0	8.9	12.0	12.8	13.7	14.8	13.8	76.0
Benefits for legal immigrant children, pregnant women, and the disabled		0.1	0.1	0.2	0.3	0.5	0.6	0.8	1.1	1.3	1.5	1.2	6.5
Other initiatives (accelerating SCHIP/Medicaid children, etc.)		0.4	1.0	1.1	1.3	1.2	1.4	1.6	1.7	1.9	2.0	4.9	13.6
Total Medicaid/SCHIP proposals		1.2	2.7	3.9	5.4	6.7	10.9	14.4	15.6	16.9	18.3	19.9	96.0
Revenue proposals:													
Tax credit for COBRA			*	0.9	1.1	1.3	1.3	1.4	1.4	1.4	1.4	3.3	10.3
Tax credit for Medicare Buy-in			*	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.4	1.6
Disabled workers tax credit		*	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	1.7
Purchasing Cooperative tax policies		*	*	*	*	*	*	*	*	*	0.1	0.1	0.3
Total revenue proposals		*	0.2	1.2	1.5	1.7	1.8	1.8	1.9	1.9	2.0	4.6	13.9
Total health coverage initiative		1.2	2.9	5.0	6.9	8.4	12.7	16.3	17.5	18.8	20.3	24.5	109.9
Other proposals:													
Medicaid offsets (cost allocation, generic drugs, etc.)		-0.1	-0.3	-0.6	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.4	-2.4	-5.6
Long-term care tax credit		0.1	1.2	1.8	2.5	3.2	3.5	3.6	3.6	3.6	3.5	8.8	26.6
Vaccine tax credit							*	0.2	0.2	0.3	0.4		1.0
Total other proposals		-*	0.9	1.2	1.8	2.5	2.9	3.1	3.1	3.2	3.5	6.4	22.0
Total health initiatives		16.2	15.1	10.2	18.9	20.8	56.7	84.3	99.1	108.7	134.1	81.1	564.1

* \$50 million or less.

Table S-6. Proposed Discretionary Spending Limits

(In billions of dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Original Balanced Budget Act Limits:													
Budget authority	526.9	533.0	537.2	542.0	551.1								
Outlays	553.3	559.3	564.3	564.4	560.8								
Spending Funded by Alternative Mechanisms:													
Budget authority	8.5	37.0	49.3										
Outlays	3.6	19.2	29.8										
Adjustments for Reestimates and Changes in Concepts¹:													
Budget authority	-1.1	1.5	5.1										
Outlays	-2.2	-3.4	23.6										
Enacted Program Levels/Current Services²:													
Budget authority	534.2	571.5	591.5	607.0	625.0	640.9	657.1	673.7	690.4	709.2	727.2	745.2	763.8
Outlays	554.7	575.1	617.6	635.5	648.4	665.4	682.8	698.8	712.2	729.9	748.1	765.8	784.6
Proposed Discretionary Spending:													
Defense Military:													
Budget authority				292.2	295.9	302.0	309.2	317.3	325.6	334.1	342.8	351.7	360.8
Outlays				278.6	285.3	294.1	302.8	316.7	318.1	322.4	332.4	340.8	349.2
Non-Defense:													
Budget authority				322.2	329.6	333.6	340.9	348.1	357.5	367.1	377.0	387.0	396.9
Outlays				347.8	363.5	369.2	375.9	382.4	391.0	400.6	410.8	420.7	431.0
Total Discretionary:													
Budget authority				614.3	625.5	635.5	650.1	665.4	683.1	701.2	719.7	738.7	757.7
Outlays				626.4	648.9	663.3	678.7	699.2	709.1	723.0	743.2	761.5	780.1
Difference From Current Services:													
Defense Military:													
Budget authority				4.5	0.8	-0.2	-0.4	0.1	0.4	-0.3	0.1	0.4	0.8
Outlays				-3.4	-1.5	-1.9	-1.4	4.9	2.0	-1.6	0.4	0.5	0.3
Non-Defense:													
Budget authority				2.9	-0.4	-5.2	-6.6	-8.3	-7.7	-7.6	-7.5	-7.0	-6.9
Outlays				-5.7	2.0	-0.2	-2.6	-4.6	-5.2	-5.3	-5.2	-4.8	-4.7
Total Discretionary:													
Budget authority				7.4	0.4	-5.4	-7.0	-8.3	-7.3	-8.0	-7.4	-6.6	-6.1
Outlays				-9.1	0.5	-2.1	-4.0	0.3	-3.2	-6.9	-4.9	-4.3	-4.4

¹This line includes reestimates, the second and third year effects of emergency appropriations, and changes in concepts and definitions that are not included in the original BBA limits, or in the alternative funding mechanisms.

²Enacted program levels are shown for 1998, 1999, and 2000; current services for 2001-2010.

Table S-7. Restoring Budgetary Conventions
(In billions of dollars)

	2000		2001		2002		2003	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Restore traditional discretionary timing:								
Defense pay		3.5		-3.5				
Defense obligations delay		1.3		-1.3				
Subtotal, defense		4.7		-4.7				
Non-Defense pay		0.8		-0.8				
Non-Defense obligations delay		0.5		-0.5				
Advance appropriations	14.4							
Subtotal, discretionary	14.4	6.0		-6.0				
Restore traditional mandatory timing:								
Veterans compensation	1.8	1.8	-1.8	-1.8				
Supplemental security income	2.2	2.2	-2.2	-2.2				
Medicare					4.5	4.5	-4.5	-4.5
Subtotal, mandatory	4.0	4.0	-4.0	-4.0	4.5	4.5	-4.5	-4.5
Total	18.4	10.0	-4.0	-10.0	4.5	4.5	-4.5	-4.5

Table S-8. Discretionary Proposals by Appropriations Subcommittee
(Program level, in billions of dollars)

Appropriations Subcommittee	1999 Enacted		2000 Estimate		2001 Proposed		Change: 2000 to 2001	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Agriculture and Rural Development	14.6	14.5	14.6	15.8	14.8	15.1	0.2	-0.7
Commerce, Justice, State and the Judiciary	35.9	32.7	39.7	37.7	37.8	39.3	-1.9	1.6
Defense	265.7	253.1	272.7	269.8	284.3	270.1	11.6	0.3
District of Columbia	0.7	0.6	0.5	0.5	0.4	0.4	*	-0.1
Energy and Water Development	21.8	21.6	21.2	21.6	22.6	21.7	1.5	0.1
Foreign Operations	15.2	13.2	15.8	13.8	14.8	15.2	-0.9	1.4
Interior and Related Agencies	14.4	14.4	14.8	14.7	16.4	15.8	1.6	1.1
Labor, HHS, and Education	89.5	80.1	96.6	90.8	105.8	97.8	9.2	6.9
Legislative	2.6	2.3	2.4	2.6	2.7	2.8	0.3	0.2
Military Construction	9.0	9.2	8.4	8.5	8.0	8.6	-0.4	0.1
Transportation and Related Agencies	12.8	39.7	12.5	43.7	13.9	46.8	1.4	3.1
Treasury, Postal Service, and General Government ..	14.6	13.3	13.8	14.1	16.3	15.4	2.5	1.3
Veterans Affairs, HUD, Independent Agencies	74.7	80.4	78.6	82.6	84.4	86.4	5.8	3.8
Allowances .....	.....	.....	.....	.....	-0.2	-0.2	-0.2	-0.2
Repeal of obligation/pay delays in P.L. 106-113 .....	.....	.....	.....	1.3	.....	-1.3	.....	-2.7
Designated offsets .....	.....	.....	.....	.....	-7.9	-7.5	-7.9	-7.5
Total, net program level	571.5	575.1	591.5	617.6	614.3	626.4	22.8	8.8

*\$50 million or less.

Note: Gross program level adjusts for advance appropriations, rescissions, appropriations for IMF, and mandatory offsets enacted in 1999 and 2000. Offsets for 1999 and 2000 have been reclassified as mandatory.

Table S-9. Discretionary Budget Authority by Agency
(Program level, in billions of dollars)

Agency	Budget Authority			Change: 2000 to 2001
	1999 Actual	Estimate		
		2000	2001	
Legislative Branch	2.6	2.5	2.8	0.3
Judicial Branch	3.4	3.7	4.1	0.5
Agriculture	16.5	16.3	16.7	0.4
Commerce	5.4	8.6	5.4	-3.2
Defense—Military	274.6	280.9	292.2	11.3
Education	33.5	35.6	40.1	4.5
Energy	18.0	17.3	18.9	1.6
Health and Human Services	41.5	46.3	49.7	3.5
Housing and Urban Development	26.9	28.5	32.0	3.5
Interior	8.0	8.3	9.1	0.8
Justice	18.5	18.5	19.6	1.1
Labor	11.0	11.2	12.3	1.0
State	8.3	7.9	7.6	-0.3
Transportation	12.9	12.6	14.0	1.4
Treasury	12.8	12.4	14.0	1.6
Veterans Affairs	19.2	20.9	22.0	1.1
Corps of Engineers	4.1	4.2	4.1	-0.1
Other Defense Civil Programs	0.1	0.1	0.1	*
Environmental Protection Agency	7.6	7.6	7.3	-0.3
Executive Office of the President	0.4	0.3	0.3	*
Federal Emergency Management Agency	2.9	3.3	3.6	0.2
General Services Administration	0.5	0.1	0.9	0.8
International Assistance Programs	12.7	14.0	12.8	-1.2
National Aeronautics and Space Administration	13.7	13.6	14.0	0.4
National Science Foundation	3.7	3.9	4.6	0.7
Office of Personnel Management	0.2	0.2	0.2	*
Small Business Administration	0.8	0.9	1.1	0.1
Social Security Administration	2.3	2.4	2.6	0.2
Other Independent Agencies	9.4	9.2	10.4	1.2
Allowances			-0.2	-0.2
Undistributed Offsetting Receipts			-0.2	-0.2
Designated offsets			-7.9	-7.9
Total, net program level	571.5	591.5	614.3	22.8

*\$50 million or less.

Note: Gross program level adjusts for advance appropriations, rescissions, appropriations for IMF, and mandatory offsets enacted in 1999 and 2000. Offsets for 1999 and 2000 have been reclassified as mandatory.

Table S-10. Mandatory Proposals by Agency

(In millions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001-2005	2001-2010
Framework proposals:													
Farm safety net programs	710	4,173	4,278	580	650	714	714	720	725	730	726	10,395	14,010
Medicare:													
President's Medicare Reform Plan:													
Prescription Drug Benefit, Medicare Buy-in, and other initiatives			182	7,331	15,205	17,570	19,798	22,556	25,021	28,158	31,250	40,288	167,071
Medicare Buy-in effect on Social Security			64	113	144	153	146	136	124	112	101	474	1,093
Fee-for-service modernization, Competitive Defined Benefit, and other savings		-5	-397	-2,332	-4,401	-6,990	-8,077	-9,045	-9,697	-10,152	-11,026	-14,125	-62,122
Other initiatives, offsets, and interactions		-456	-1,196	-1,129	-800	-791	-658	-665	-656	-754	-767	-4,372	-7,872
Medicaid/SCHIP:													
Family coverage Medicaid/SCHIP initiative		800	1,600	2,600	3,800	5,000	8,900	12,000	12,800	13,700	14,800	13,800	76,000
Benefits for legal immigrant children, pregnant women, and the disabled		63	123	229	332	461	623	808	1,070	1,276	1,482	1,208	6,467
Other initiatives (accelerating SCHIP/Medicaid children, etc.)		377	983	1,063	1,269	1,214	1,400	1,630	1,706	1,912	2,012	4,906	13,566
Other offsets (cost allocation, generic drugs, etc.)		-122	-278	-578	-734	-680	-665	-668	-725	-714	-411	-2,392	-5,575
Total, framework proposals:													
On-budget	710	4,830	5,295	7,764	15,321	16,498	22,035	27,336	30,244	34,156	38,066	49,708	201,545
Off-budget			64	113	144	153	146	136	124	112	101	474	1,093
Total, framework proposals	710	4,830	5,359	7,877	15,465	16,651	22,181	27,472	30,368	34,268	38,167	50,182	202,638
Non-framework proposals:													
Department of Agriculture													
Food Stamps:													
Restore Food Stamp benefits for legal immigrants		25	95	140	160	145	140	125	120	110	115	565	1,175
State option on vehicle policy		1	30	120	250	260	270	280	290	300	310	661	2,111
Conforming FS & Medicaid income definition		5	5	5	5	5	5	5	5	5	5	25	50
Child and Adult Care Food Program		-3	-15	-21	-26	-31	-39	-47	-55	-62	-72	-96	-371
Payments to states stabilization:													
Collections to offset payments		-270	-270	-270	-270	-270	-270	-270	-270	-270	-270	-1,350	-2,700
Payments		270	270	270	270	270	270	270	270	270	270	1,350	2,700
Healthy Investments in Rural Environments:													
Collections to offset payments		-315	-320	-317	-315	-314	-331	-331	-331	-331	-331	-1,581	-3,236
Payments		315	320	317	315	314	331	331	331	331	331	1,581	3,236

Table S-10. Mandatory Proposals by Agency—Continued

(In millions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001–2005	2001–2010
Forest Service proposals:													
Fair market value fees for ski resorts and timber		-8	-28	-47	-56	-62	-62	-62	-62	-62	-62	-201	-511
Make recreation fee permanent			-17	-12	-7	-2		10	10	10	8	-38	
Fair market value fees for concessions and land uses		-6										-6	-6
Road and Trail Fund:													
Increased receipts		-25	-25	-25	-25	-25	-25	-25	-25	-25	-25	-125	-250
Increased spending		25	25	25	25	25	25	25	25	25	25	125	250
Selected program offsets from FS permanent, trust, and owl payments:													
Spending under new proposals		596	570	553	547	545	564	574	574	574	572	2,811	5,669
Reduction of existing program spending		-596	-570	-553	-547	-545	-564	-574	-574	-574	-572	-2,811	-5,669
Facilities Acquisition and Enhancement Fund:													
Increased receipts		-2	-5	-10	-10	-10	-10	-10	-13	-15	-15	-37	-100
Increased spending		2	5	10	10	10	10	10	13	15	15	37	100
Land Acquisition Reinvestment Fund:													
Increased receipts		-1	-1	-2	-3	-3	-5	-5	-8	-11	-11	-10	-50
Increased spending		1	1	2	3	3	5	5	8	11	11	10	50
Department of Education													
Offsets designated for mandatory:													
Reduce default retention to 12% for consolidating loans			-56	-59	-63	-66	-71	-75	-80	-84	-89	-244	-643
Reduce GA retention rate to 18.5%			-27	-28	-30	-31	-34	-35	-37	-39	-42	-116	-303
Eliminate tax-exempt lenders' interest special allowance			-149	-164	-187	-204	-214	-227	-242	-257	-271	-704	-1,915
Reduce lender subsidy by 11 basis pts for comm. paper rates			-131	-89	-23							-243	-243
Reduce lender subsidy by 20 basis pts for basis risk transfer			-239	-165	-43							-447	-447
Accelerate BBA recall from Restricted Account			194									194	194
Accelerate Federal fund reserve recall							83	83					166
Offsets designated for discretionary:													
Reduce default retention to 12% for consolidating loans		-428										-428	-428
Reduce GA retention rate to 18.5%		-220										-220	-220
Recall excess federal fund reserves		-950										-950	-950
Eliminate tax-exempt lenders' interest special allowance		-94										-94	-94

Table S-10. Mandatory Proposals by Agency—Continued

(In millions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001–2005	2001–2010
Reduce lender subsidy by 11 basis pts for comm. paper rates		-83										-83	-83
Reduce lender subsidy by 20 basis pts for basis risk transfer		-152										-152	-152
Accelerate Federal fund reserve recall		-165										-165	-165
Accelerate BBA recall from Restricted Account		-194										-194	-194
Department of Health and Human Services													
Child Care: Establish early learning fund	402	588	606	606	600	180	18					2,802	3,000
Child support:													
State option on simplified distribution			49	102	124	121	127	132	140	147	154	396	1,096
Federal match on pass-through	5	23	23	23	23	24	26	26	26	28	28	97	229
Reduce paternity match	-8	-8	-8	-8	-8	-9	-9	-9	-10	-10	-11	-41	-90
Mandatory review and adjustment	29	-7	-44	-63	-66	-69	-71	-73	-76	-76	-76	-151	-516
Expanded enforcement measures	-25	-91	-92	-92	-91	-94	-93	-96	-96	-99	-101	-391	-874
Reduction in savings due to offset initiatives	1	8	8	8	8	8	8	8	8	7	7	33	71
Social Services Block Grant	66	9										75	75
Tribal Child Welfare Pilot	1	1	1	1	1							5	5
Medicare+choice payment timing shift			4,491	-4,491									
TANF/ Reduce supplemental grants to 1998 levels:													
Offsets designated for mandatory			-53	-41	-24							-118	-118
Offsets designated for discretionary		-122										-122	-122
Department of Housing and Urban Development													
Fund Round II Urban Empowerment Zones	3	51	114	138	144	150	150	150	150	150	147	450	1,197
Department of the Interior													
BLM timber payments to States delinkage	11	14	17	19	20	22	23	25	26	27	27	81	204
Make recreation fees permanent		-40	7	49	87	87	86	86	85	85	85	103	532
Hardrock mining production fee on public lands		-8	-26	-26	-26	-26	-26	-26	-26	-26	-26	-86	-216
Finance land purchases with sales of surplus land:													
Surplus land sales receipts	-2	-4	-11	-11	-11	-11	-11	-11	-11	-11	-11	-39	-94
Land purchases	2	4	11	11	11	11	11	11	11	11	11	39	94
Filming and photography on public lands:													
Filming fee receipts	-3	-3	-4	-4	-5	-5	-5	-5	-5	-5	-5	-18	-43
Increased spending	3	3	4	4	5	5	5	5	5	5	5	18	43

Table S-10. Mandatory Proposals by Agency—Continued

(In millions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals		
												2001–2005	2001–2010	
Department of Labor														
Extend Welfare-to-Work	-100	-450	170	304	76								100	100
Trade Adjustment Assistance reforms		31	77	110	119	122	49	12					459	520
Implement alien labor certification fees:														
Fee receipts		-138	-122	-122	-122	-122	-122	-122	-122	-122	-122		-626	-1,236
Spending		36	73	110	122	122	122	122	122	122	122		463	1,073
PBGC: Raise guarantee cap for multi-employer pensions		1	1	2	3	3	3	3	3	3	2		10	24
Rescind FY 2000 Welfare-to-Work performance bonus		-15	-20	-15									-50	-50
Department of Transportation														
Shift St. Lawrence Seaway to mandatory		13	13	14	15	15	15	16	16	17	17		70	151
Department of Treasury														
Extend customs user fees:														
Conveyance/passenger fee					-424	-465	-511	-562	-617	-678	-746		-889	-4,003
Merchandise processing fee					-1,036	-1,059	-1,082	-1,106	-1,130	-1,155	-1,181		-2,095	-7,749
Reverse timing shift of rum tax payments to Puerto Rico	32	-32											-32	-32
Department of Veterans Affairs														
Pay full benefits for Filipino veterans residing in the U.S.		5	5	5	5	5	4	4	4	4	4		25	45
Extend expiring OBRA VA provisions:														
Round down to the next lower dollar COLAs for disability compensation and DIC				-14	-33	-52	-69	-94	-120	-144	-157		-99	-683
Verify income of beneficiaries with the IRS				-6									-6	-6
Retain current loan fees and obtain authority to reduce resale losses				-168	-167	-176	-184	-190	-195	-194	-199		-511	-1,473
Repeal the delay of the Oct. 2000 benefit payment date:														
VA compensation benefits	1,800	-1,800											-1,800	-1,800
Corps of Engineers														
Harbor services fees		-966	-963	-960	-996	-1,014	-1,040	-1,067	-1,095	-1,124	-1,153		-4,899	-10,378
Environmental Protection Agency														
Fund Superfund orphan shares		39	84	108	122	129	134	138	143	147	150		482	1,194
Federal Deposit Insurance Corporation														
State bank exam fees		-92	-96	-102	-106	-111	-117	-123	-129	-136	-143		-507	-1,155

Table S-10. Mandatory Proposals by Agency—Continued

(In millions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001–2005	2001–2010
Federal Emergency Management Agency													
Flood Map Modernization:													
Fee receipts		-104	-107	-109	-112	-114	-116	-118	-118	-118	-118	-546	-1,134
Spending		47	95	108	110	112	115	117	118	117	117	472	1,056
Office of Personnel Management													
Contract separately for dental benefits:													
Paygo savings		-195	-281	-302	-326	-352	-380	-409	-443	-474	-492	-1,456	-3,654
Nonpaygo costs		122	177	189	203	218	235	251	271	287	311	909	2,264
Omnibus human resources improvements		-7	-10	-14	-18	-22	-27	-32	-37	-43	-49	-71	-259
Government-wide voluntary separation incentives (nonpaygo):													
Increased CSRDF outlays		27	64	49	11	-3	-3	-4	-4	-4	-4	148	129
Increased CSRDF agency contributions		-35	-38	-4								-77	-77
Correction of retirement coverage errors:													
Increased CSRDF outlays		4	1	1	2	3	3	4	4	5	5	11	32
Reduced CSRDF agency contributions (nonpaygo)		69	16	21	24	26	27	30	32	34	37	156	316
Eliminate retirement inequities		1	1	1	1	1	1	1	1	1	1	5	10
Children's coverage under FEHBP:													
Paygo costs		1	1	2	3	3	4	4	5	6	6	10	35
Nonpaygo savings		-1	-2	-3	-4	-5	-7	-8	-9	-10	-11	-15	-60
Social Security Administration													
Restore SSI benefits for disabled legal immigrants			23	99	208	377	523	651	953	1,122	1,272	707	5,228
OASI and DI, payment for military service credit (off-budget)		271	321	285	289	291	296	300	304	308	308	1,457	2,973
Repeal the delay of the Oct. 2000 SSI benefit payment date	2,190	-2,190										-2,190	-2,190
SSI State supplemental timing shift:													
Offsets designated for mandatory				-10	-13	-7	-7	-13	-10	377	-9	-30	308
Offsets designated for discretionary			-311									-311	-311
Native Nations Institute													
Fees for services						-1	-1	-1	-1	-1	-1	-1	-6
United Mine Workers of America													
Payment to UMWA CBF to maintain current benefits		49	47	46	45	43	42	41	40	40	39	230	432
Other													
Indirect impact of other proposals		-9	-8	-25	-30	-36	-44	-44	-47	-48	-49	-108	-340

Table S-10. Mandatory Proposals by Agency—Continued

(In millions of dollars; minus means savings)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Totals	
												2001-2005	2001-2010
Total, non-framework proposals:													
On-budget	3,922	-7,498	3,579	-4,829	-1,582	-1,534	-1,955	-2,199	-2,186	-1,816	-2,215	-11,864	-22,235
Off-budget		271	321	285	289	291	296	300	304	308	308	1,457	2,973
Total, non-framework proposals	3,922	-7,227	3,900	-4,544	-1,293	-1,243	-1,659	-1,899	-1,882	-1,508	-1,907	-10,407	-19,262
Recap., non-framework proposals:													
Initiatives	3,922	-3,478	6,101	-2,315	2,295	2,418	2,099	2,041	2,338	2,528	2,702	5,021	16,729
Offsets		-3,749	-2,201	-2,229	-3,588	-3,661	-3,758	-3,940	-4,220	-4,036	-4,609	-15,428	-35,991

Table S-11. Receipts by Source—Summary
(In billions of dollars)

Source	1999 Actual	Estimate										
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Individual income taxes	879.5	951.6	972.4	995.2	1,025.6	1,066.1	1,116.8	1,172.9	1,234.5	1,298.1	1,359.7	1,425.0
Corporation income taxes ...	184.7	192.4	194.8	195.4	195.7	200.0	205.9	211.3	221.5	230.2	238.6	249.5
Social insurance and retire- ment receipts	611.8	650.0	682.1	712.2	741.7	771.3	815.3	847.2	886.9	922.9	959.9	1,005.5
(On-budget)	(167.4)	(173.3)	(182.2)	(189.9)	(197.4)	(204.7)	(216.7)	(224.2)	(234.4)	(242.5)	(251.3)	(262.6)
(Off-budget)	(444.5)	(476.8)	(499.9)	(522.2)	(544.2)	(566.7)	(598.6)	(623.0)	(652.5)	(680.4)	(708.6)	(742.9)
Excise taxes	70.4	68.4	76.7	79.8	80.8	81.8	83.4	84.4	85.9	87.8	89.4	91.6
Estate and gift taxes	27.8	30.5	32.3	34.9	36.3	38.7	37.0	37.6	39.4	42.2	44.7	47.3
Customs duties	18.3	20.9	20.9	22.6	24.3	25.7	27.9	29.8	31.9	34.1	36.3	38.3
Miscellaneous receipts	34.9	42.5	39.9	41.2	43.2	52.6	54.5	57.0	58.7	60.7	56.7	59.4
Total receipts	1,827.5	1,956.3	2,019.0	2,081.2	2,147.5	2,236.1	2,340.9	2,440.3	2,558.8	2,676.0	2,785.2	2,916.7
(On-budget)	(1,383.0)	(1,479.5)	(1,519.1)	(1,559.0)	(1,603.2)	(1,669.4)	(1,742.3)	(1,817.3)	(1,906.3)	(1,995.6)	(2,076.7)	(2,173.8)
(Off-budget)	(444.5)	(476.8)	(499.9)	(522.2)	(544.2)	(566.7)	(598.6)	(623.0)	(652.5)	(680.4)	(708.6)	(742.9)

Table S-12. Effect of Proposals on Receipts
(In millions of dollars)

	Estimate											Total 2001-2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Provide tax relief:												
Expand educational opportunities:												
Provide College Opportunity tax cut		-395	-2,009	-2,323	-3,103	-3,262	-3,420	-3,580	-3,772	-3,891	-4,089	-29,844
Provide incentives for public school construction and modernization		-36	-174	-419	-739	-1,020	-1,127	-1,127	-1,127	-1,127	-1,127	-8,023
Expand exclusion for employer-provided educational assistance to include graduate education	-66	-275	-90									-365
Eliminate 60-month limit on student loan interest deduction		-23	-80	-87	-89	-93	-103	-105	-109	-112	-113	-914
Eliminate tax when forgiving student loans subject to income contingent repayment												
Provide tax relief for participants in certain Federal education programs		-3	-7	-7	-7	-6	-6	-6	-6	-7	-7	-62
Subtotal, expand educational opportunities	-66	-732	-2,360	-2,836	-3,938	-4,381	-4,656	-4,818	-5,014	-5,137	-5,336	-39,208
Provide poverty relief and revitalize communities:												
Increase and simplify the Earned Income Tax Credit (EITC) ¹		-2,293	-1,936	-1,967	-1,992	-2,001	-2,040	-2,043	-2,067	-2,096	-2,102	-20,537
Increase and index low-income housing tax credit per-capita cap		-6	-55	-168	-306	-448	-591	-736	-906	-1,114	-1,336	-5,666
Provide New Markets Tax Credit		-30	-222	-515	-743	-940	-960	-768	-474	-247	-197	-5,096
Extend Empowerment Zone (EZ) tax incentives and authorize additional EZs		-36	-167	-333	-452	-568	-629	-618	-618	-610	-345	-4,376
Provide Better America Bonds to improve the environment		-8	-41	-112	-214	-315	-410	-479	-511	-512	-513	-3,115
Permanently extend the expensing of brownfields remediation costs			-98	-152	-146	-140	-133	-125	-116	-104	-93	-1,107
Expand tax incentives for specialized small business investment companies (SSBICs)	_*	_*	_*	_*	_*	_*	_*	_*	_*	_*	_*	_*
Bridge the Digital Divide		-107	-272	-344	-289	-207	-169	-170	-171	-172	-173	-2,074
Subtotal, provide poverty relief and revitalize communities		-2,480	-2,791	-3,591	-4,142	-4,619	-4,932	-4,939	-4,863	-4,855	-4,759	-41,971
Make health care more affordable:												
Assist taxpayers with long-term care needs ²		-109	-1,150	-1,681	-2,427	-3,028	-3,344	-3,420	-3,461	-3,448	-3,376	-25,444
Encourage COBRA continuation coverage			-41	-858	-1,149	-1,286	-1,323	-1,370	-1,393	-1,412	-1,434	-10,266

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Provide tax credit for Medicare buy-in program			-5	-105	-140	-164	-196	-224	-246	-261	-270	-1,611
Provide tax relief for workers with disabilities ²		-18	-128	-143	-158	-165	-168	-168	-169	-169	-171	-1,457
Provide tax relief to encourage small business health plans		-1	-9	-22	-35	-38	-35	-35	-40	-46	-52	-313
Encourage development of vaccines for targeted diseases							-25	-175	-176	-264	-360	-1,000
Subtotal, make health care more affordable ²		-128	-1,333	-2,809	-3,909	-4,681	-5,091	-5,392	-5,485	-5,600	-5,663	-40,091
Strengthen families and improve work incentives:												
Provide marriage penalty relief and increase standard deduction		-248	-843	-1,536	-2,130	-4,637	-6,822	-6,811	-7,089	-7,217	-7,495	-44,828
Increase, expand, and simplify child and dependent care tax credit ²		-121	-589	-922	-1,288	-1,643	-2,118	-2,287	-2,498	-2,451	-2,717	-16,634
Provide tax incentives for employer-provided child-care facilities		-42	-88	-121	-140	-148	-157	-167	-177	-187	-198	-1,425
Subtotal, strengthen families and improve work incentives ²		-411	-1,520	-2,579	-3,558	-6,428	-9,097	-9,265	-9,764	-9,855	-10,410	-62,887
Promote expanded retirement savings, security, and portability:												
Establish Retirement Savings Accounts			-657	-2,185	-2,290	-4,034	-8,097	-8,679	-9,010	-9,309	-9,586	-53,847
Provide small business tax credit for automatic contributions for non-highly compensated employees			-157	-648	-1,878	-3,074	-3,116	-2,135	-1,294	-1,496	-1,560	-15,358
Provide tax credit for plan start up and administrative expenses; provide for payroll deduction IRAs	-1	-18	-35	-61	-92	-135	-164	-180	-192	-198	-203	-1,278
Provide for the SMART plan		-44	-65	-66	-68	-70	-55	-49	-50	-51	-53	-571
Enhance the 401(k) SIMPLE plan		-25	-61	-108	-161	-236	-264	-266	-266	-264	-261	-1,912
Accelerate vesting for qualified plans		214	137	104	66	29	-10	-48	-88	-127	-167	110
Other changes affecting retirement savings, security and portability		-53	-207	-288	-377	-450	-519	-566	-604	-649	-687	-4,400
Subtotal, promote expanded retirement savings, security and portability	-1	74	-1,045	-3,252	-4,800	-7,970	-12,225	-11,923	-11,504	-12,094	-12,517	-77,256

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Provide AMT relief for families and simplify the tax laws:												
Provide adjustments for personal exemptions and the standard deduction in the individual alternative minimum tax (AMT)	-72	-377	-544	-996	-1,312	-1,650	-2,096	-2,524	-3,942	-8,200	-11,124	-32,765
Simplify and increase standard deduction for dependent filers	-7	-42	-29	-33	-51	-37	-38	-37	-39	-44	-46	-396
Replace support test with residency test (limited to children)		-66	-97	-102	-107	-112	-116	-122	-128	-134	-141	-1,125
Provide tax credit to encourage electronic filing of individual income tax returns ²			-192	-207	-208	-209	-213	-218				-1,247
Simplify, retarget and expand expensing for small business		-217	-206	-19	-86	-135	-178	-222	-259	-292	-410	-2,024
Simplify the foreign tax credit limitation for dividends from 10/50 companies	-80	-168	-102	-46	10	27	28	22	18	15	12	-184
Other simplification	-1	-17	-23	-27	-30	-35	-41	-52	-66	-90	-126	-507
Subtotal, provide AMT relief for families and simplify the tax laws ²	-160	-887	-1,193	-1,430	-1,784	-2,151	-2,654	-3,153	-4,416	-8,745	-11,835	-38,248
Encourage philanthropy:												
Allow deduction for charitable contributions by non-itemizing taxpayers		-516	-1,062	-733	-765	-817	-1,245	-1,847	-1,928	-2,007	-2,082	-13,002
Simplify and reduce the excise tax on foundation investment income		-49	-70	-71	-73	-75	-78	-81	-84	-87	-90	-758
Increase limit on charitable donations of appreciated property		-7	-47	-29	-20	-12	-8	-8	-9	-9	-10	-159
Clarify public charity status of donor advised funds	*	*	*	*	*	*	*	*	*	*	*	*
Subtotal, encourage philanthropy		-572	-1,179	-833	-858	-904	-1,331	-1,936	-2,021	-2,103	-2,182	-13,919
Promote energy efficiency and improve the environment:												
Provide tax credit for energy-efficient building equipment		-18	-35	-49	-71	-28	-3	1	1	1		-201
Provide tax credit for new energy-efficient homes		-82	-150	-194	-134	-73	-28					-661
Extend electric vehicle tax credit and provide tax credit for hybrid vehicles			-4	-182	-700	-1,192	-1,930	-1,863	-125	12	49	-5,935
Provide 15-year depreciable life for distributed power property		-1	-1	-2	-3	-3	-4	-5	-5	-6	-7	-37
Extend and modify the tax credit for producing electricity from certain sources		-91	-173	-220	-231	-261	-245	-218	-225	-230	-237	-2,131

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Provide tax credit for solar energy systems		-9	-19	-25	-34	-45	-78	-116	-51			-377
Subtotal, promote energy efficiency and improve the environment		-201	-382	-672	-1,173	-1,602	-2,288	-2,201	-405	-223	-195	-9,342
Electricity restructuring		3	11	20	30	41	51	61	72	84	95	468
Modify international trade provisions:												
Extend and modify Puerto Rico economic- activity tax credit		-35	-67	-101	-134	-166	-974	-1,544	-1,620	-937		-5,578
Extend GSP and modify other trade provi- sions ³	-10	-454	-858	-940	-884	-248	-132	-140	-147	-155	-162	-4,120
Levy tariff on certain textiles/apparel pro- duced in the CNMI ³			169	169	169	169	169	169	169	169	169	1,521
Subtotal, modify international trade pro- visions ³	-10	-489	-756	-872	-849	-245	-937	-1,515	-1,598	-923	7	-8,177
Miscellaneous provisions:												
Make first \$2,000 of severance pay exempt from income tax		-43	-174	-180	-138							-535
Exempt Holocaust reparations from Fed- eral income tax	-4	-17	-18	-19	-15							-69
Subtotal, miscellaneous provisions	-4	-60	-192	-199	-153							-604
Subtotal, provide tax relief^{2 3}	-241	-5,883	-12,740	-19,053	-25,134	-32,940	-43,160	-45,081	-44,998	-49,451	-52,795	-331,235
Refundable credits		-23	-679	-736	-2,218	-2,343	-2,857	-2,935	-2,676	-2,786	-2,874	-20,127
Total gross tax relief including re- fundable credits³	-241	-5,906	-13,419	-19,789	-27,352	-35,283	-46,017	-48,016	-47,674	-52,237	-55,669	-351,362
Eliminate unwarranted benefits and adopt other revenue measures:												
Limit benefits of corporate tax shelter trans- actions:												
Increase disclosure of certain transactions, modify substantial understatement pen- alty for corporate tax shelters, codify the economic substance doctrine, tax income from shelters involving tax-indifferent parties, and impose a penalty excise tax on certain fees received by promoters and advisors		1,872	1,392	1,357	1,351	1,374	1,402	1,425	1,437	1,443	1,444	14,497
Require accrual of income on forward sale of corporate stock	1	5	10	15	21	26	32	37	40	42	44	272

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Modify treatment of ESOP as S corporation shareholder		15	47	67	88	104	111	117	123	128	133	933
Limit dividend treatment for payments on certain self-amortizing stock		22	37	39	40	42	44	45	47	49	51	416
Prevent serial liquidation of U.S. subsidiaries of foreign corporations	12	20	19	19	19	18	18	17	18	18	18	184
Prevent capital gains avoidance through basis shift transactions involving foreign shareholders	71	328	121	65	45	26	17	16	14	9	3	644
Prevent mismatching of deductions and income in transactions with related foreign persons		62	108	112	117	122	127	132	137	142	147	1,206
Prevent duplication or acceleration of loss through assumption of certain liabilities	4	34	36	37	38	40	41	43	44	46	48	407
Amend 80/20 company rules		21	46	53	54	56	57	58	60	61	63	529
Modify corporate-owned life insurance (COLI) rules		176	340	417	489	548	593	631	664	695	726	5,279
Require lessors of tax-exempt-use property to include service contract options in lease term		6	11	17	24	30	38	45	53	62	71	357
Interaction	-42	-239	-175	-157	-157	-160	-167	-176	-188	-198	-205	-1,822
Subtotal, limit benefits of corporate tax shelter transactions	46	2,322	1,992	2,041	2,129	2,226	2,313	2,390	2,449	2,497	2,543	22,902
Other proposals:												
Require banks to accrue interest on short-term obligations	6	63	21	4	5	5	5	5	6	6	6	126
Require current accrual of market discount by accrual method taxpayers	1	7	13	19	25	31	38	45	52	60	68	358
Modify and clarify certain rules relating to debt-for-debt exchanges	9	73	74	71	70	70	69	69	69	68	68	701
Modify and clarify the straddle rules	14	30	34	33	34	35	35	36	38	40	41	356
Provide generalized rules for all stripping transactions	7	18	22	21	19	18	17	15	14	12	10	166
Require ordinary treatment for certain dealers of commodities and equity options	16	29	31	31	31	31	32	32	33	34	36	320
Prohibit tax deferral on contributions of appreciated property to swap funds		2	5	8	10	11	12	13	14	16	17	108
Conform control test for tax-free incorporations, distributions, and reorganizations	13	34	41	39	38	39	39	39	39	39	39	386

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Treat receipt of tracking stock in certain distributions and exchanges as the receipt of property	28	108	158	153	149	151	155	158	159	160	161	1,512
Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions	1	41	51	53	55	57	61	64	66	69	72	589
Modify tax treatment of certain reorganizations involving portfolio stock	17	49	66	71	77	83	90	96	103	110	117	862
Modify definition of nonqualified preferred stock	11	53	61	64	67	54	27	17	18	19	20	400
Modify estimated tax provision for deemed asset sales		314	90	-23	-15	-8	-3	1	4	7	9	376
Modify treatment of transfers to creditors in divisive reorganizations	3	15	18	19	20	21	22	23	24	25	26	213
Provide mandatory basis adjustments for partners that have a significant net built-in loss in partnership property	-41	50	52	55	60	58	57	55	53	50	48	538
Modify treatment of closely held REITs		1	4	8	12	17	24	32	41	53	68	260
Apply RIC excise tax to undistributed profits of REITs			1	1	1	1	1	1	1	1	1	9
Allow RICs a dividends paid deduction for redemptions only in cases where the redemption represents a contraction in the RIC		99	489	457	429	405	384	368	356	349	346	3,682
Require REMICs to be secondarily liable for the tax liability of REMIC residual interest holders		5	17	29	42	55	69	83	98	114	130	642
Deny change in method treatment to tax-free formations	3	59	59	59	61	63	66	69	72	75	78	661
Deny deduction for punitive damages	16	92	130	137	144	151	158	166	175	183	193	1,529
Repeal lower-of-cost-or-market inventory accounting method		459	447	371	372	154	57	59	61	62	64	2,106
Disallow interest on debt allocable to tax-exempt obligations	4	11	18	24	30	35	39	43	46	47	48	341
Require capitalization of mutual fund commissions		23	111	98	83	64	43	24	26	29	32	533
Provide consistent amortization periods for intangibles		-216	-220	34	259	445	464	387	308	222	132	1,815
Clarify recovery period of utility grading costs	12	40	65	82	91	99	108	112	108	101	93	899

Table S-12. Effect of Proposals on Receipts—Continued

(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Apply rules generally applicable to acquisitions of tangible assets to acquisitions of professional sports franchises	2	43	73	113	141	139	124	106	88	68	46	941
Require recapture of policyholder surplus accounts		65	174	285	522	782	374	23		–9	–13	2,203
Modify rules for capitalizing policy acquisition costs of life insurance companies ..		536	1,820	2,191	2,413	1,328	606	675	722	755	773	11,819
Increase the proration percentage for P&C insurance companies		48	82	98	115	133	150	169	188	210	232	1,425
Modify rules that apply to sales of life insurance contracts		13	35	39	43	48	55	63	72	80	89	537
Modify rules that apply to tax-exempt property casualty insurance companies ..		12	22	23	24	25	26	26	27	28	28	241
Subject investment income of trade associations to tax		180	309	325	341	358	376	395	414	435	457	3,590
Impose penalty for failure to file an annual information return			24	23	22	21	19	17	15	13	10	164
Restore phaseout of unified credit for large estates		33	70	78	83	106	125	139	148	157	166	1,105
Require consistent valuation for estate and income tax purposes	1	5	10	14	18	21	23	26	29	32	35	213
Require basis allocation for part sale, part gift transactions		2	3	4	5	5	6	6	7	8	9	55
Conform treatment of surviving spouses in community property States	3	19	42	59	75	92	110	130	151	174	199	1,051
Include QTIP trust assets in surviving spouse's estate			2	2	2	2	2	2	2	2	2	18
Eliminate non-business valuation discounts		271	575	600	636	618	621	644	683	725	767	6,140
Eliminate gift tax exemption for personal residence trusts		–1	–1		5	14	30	51	75	102	133	408
Modify requirements for annual exclusion for gifts			20	20	22	20	21	23	26	27	29	208
Increase elective withholding rate for non-periodic distributions from deferred compensation plans			47	3	3	3	4	4	4	4	4	76
Increase excise tax for excess IRA contributions		1	12	13	14	14	15	16	17	17	18	137
Limit pre-funding of welfare benefits for 10 or more employer plans		92	156	159	151	150	148	145	132	121	105	1,359
Subject signing bonuses to employment taxes		5	3	3	3	2	2	2	2	3	3	28

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Clarify employment tax treatment of choreworkers		48	64	64	63	63	62	62	61	61	61	609
Prohibit IRAs from investing in foreign sales corporations	3	16	29	30	32	33	35	37	39	41	43	335
Tighten the substantial understatement penalty for large corporations		26	44	45	41	37	27	28	29	30	31	338
Require withholding on certain gambling winnings		20	1	1	1	1	1	1	1	1	1	29
Require information reporting for private separate accounts		5	10	14	18	21	24	28	31	35	39	225
Increase penalties for failure to file correct information returns		6	15	15	9	10	10	10	10	10	11	106
Modify deposit requirement for FUTA						1,583	79	72	12	53	63	1,862
Reinstate Oil Spill Liability Trust Fund tax ³			253	261	264	266	269	272	274	277	278	2,414
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands		94	96	97	99	101	103	105	107	109	111	1,022
Impose excise tax on purchase of structured settlements	6	7	5	2		-2	-3	-3	-3	-4	-5	-6
Require taxpayers to include rental income of residence in income without regard to the period of rental		4	11	12	12	13	14	14	15	16	17	128
Eliminate installment payment of heavy vehicle use tax ³			378	27	30	32	35	34	37	39	42	654
Require recognition of gain on sale of principal residence if acquired in a tax-free exchange within five years of the sale		10	13	11	11	11	11	11	12	12	12	114
Limit benefits of transactions with “Identified Tax Havens”		36	52	40	36	35	35	33	32	29	27	355
Modify treatment of built-in losses and other attributes trafficking	1	78	136	143	151	161	170	179	189	198	209	1,614
Simplify taxation of property that no longer produces income effectively connected with a U.S. trade or business	*	*	*	*	*	*	*	*	*	*	*	*
Prevent avoidance of tax on U.S.-accrued gains (expatriation)	3	28	58	107	155	212	281	367	469	579	694	2,950
Expand ECI rules to include certain foreign source income		22	38	39	41	42	44	45	47	48	50	416
Limit basis step-up for imported pensions	2	26	33	34	36	38	40	42	44	46	48	387
Replace sales-source rules		320	570	600	630	660	690	725	800	840	880	6,715
Modify rules relating to foreign oil and gas extraction income		5	69	112	118	124	130	136	143	150	158	1,145

Table S-12. Effect of Proposals on Receipts—Continued
(In millions of dollars)

	Estimate											Total 2001–2010
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Recapture overall foreign losses when CFC stock is disposed	1	1	*	*	*	*	*	*	*	*	*	1
Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office	1	7	10	11	11	11	12	12	13	13	14	114
Subtotal, other proposals ³	143	3,542	7,221	7,635	8,565	9,478	6,975	6,884	7,148	7,486	7,799	72,733
Subtotal, eliminate unwarranted benefits and adopt other revenue measures³	189	5,864	9,213	9,676	10,694	11,704	9,288	9,274	9,597	9,983	10,342	95,635
Net tax relief including refundable credits³	-52	-42	-4,206	-10,113	-16,658	-23,579	-36,729	-38,742	-38,077	-42,254	-45,327	-255,727
Other provisions that affect receipts:												
Reinstate environmental tax on corporate taxable income ⁴		725	432	438	434	437	470	494	496	495	508	4,929
Reinstate Superfund excise taxes ³	152	707	762	772	785	797	810	824	838	850	864	8,009
Convert Airport and Airway Trust Fund taxes to a cost-based user fee system ³		724	1,399	1,500	1,522	1,522	1,170	797	385			9,019
Increase excise tax on tobacco products and levy a youth smoking assessment on tobacco manufacturers ³	446	4,084	3,738	3,532	10,140	9,700	9,789	9,410	9,233	3,138	3,103	65,867
Recover State bank supervision and regulation expenses (receipt effect) ³		78	82	86	90	95	99	104	109	113	119	975
Maintain Federal Reserve surplus transfer to the Treasury		3,752										3,752
Restore premiums for United Mine Workers of America Combined Benefit Fund		11	10	10	9	9	8	8	7	7	7	86
Extend abandoned mine reclamation fees ³						218	220	221	222	223	224	1,328
Replace Harbor Maintenance tax with the Harbor Services User Fee (receipt effect) ³		-549	-602	-647	-681	-718	-767	-823	-880	-934	-988	-7,589
Revise Army Corps of Engineers regulatory program fees ³		5	5	5	5	5	5	5	5	5	5	50
Roll back Federal employee retirement contributions		-427	-619	-160								-1,206
Provide Government-wide buyout authority (receipt effect)		-9	-18	-9								-36
Total, other provisions^{3,4}	598	9,101	5,189	5,527	12,304	12,065	11,804	11,040	10,415	3,897	3,842	85,184

*\$500,000 or less.

Table S-12. Effect of Proposals on Receipts
(In millions of dollars)

Estimate											Total
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001-2010

¹The proposal to increase and simplify the Earned Income Tax Credit has both receipts and outlay effects. The receipts effect for the proposal is -\$305 million, -\$304 million, -\$314 million, -\$326 million, -\$339 million, -\$328 million, -\$339 million, -\$354 million, -\$365 million, and -\$373 million for fiscal years 2001-2010, respectively. The outlay effect is \$2,003 million, \$1,936 million, \$1,967 million, \$1,992 million, \$2,001 million, \$2,040 million, \$2,043 million, \$2,067 million, \$2,096 million, and \$2,102 million for fiscal years 2001-2010, respectively.

² Amounts shown are the effect on receipts.

³ Net of income offsets.

⁴ Net of deductibility for income tax purposes.

Table S-13. Federal Employment in the Executive Branch

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	Actual							Estimate		Change: 1993 base to 2001	
		1993	1994	1995	1996	1997	1998	1999	2000	2001	FTE's	Percent
Cabinet agencies:												
Agriculture ¹	115.6	114.4	109.8	103.8	100.7	98.5	96.4	95.5	98.2	100.5	-15.1	-13.1%
Commerce	36.7	36.1	36.0	35.3	33.8	32.6	35.7	47.3	133.8	42.6	5.9	16.0%
Defense-military functions	931.3	931.8	868.3	821.7	778.9	745.8	707.2	681.0	661.5	645.5	-285.9	-30.7%
Education	5.0	4.9	4.8	4.8	4.7	4.5	4.5	4.5	4.7	4.7	-0.3	-5.7%
Energy	20.6	20.3	19.8	19.7	19.1	17.3	16.3	15.9	16.2	16.1	-4.5	-21.7%
Health and Human Services ¹	65.0	66.1	62.9	59.3	57.2	57.6	57.9	58.9	61.7	63.2	-1.8	-2.8%
Social Security Administration	65.4	64.8	64.5	64.6	64.0	65.2	64.0	63.0	63.3	63.1	-2.3	-3.5%
Housing and Urban Development	13.6	13.3	13.1	12.1	11.4	11.0	9.8	10.0	10.4	10.6	-3.0	-22.3%
Interior	79.3	78.1	76.3	72.0	66.7	65.7	66.5	67.0	68.1	69.5	-9.8	-12.4%
Justice	99.4	95.4	95.3	97.9	103.8	111.0	117.3	121.3	127.9	131.5	32.1	32.3%
Labor	18.3	18.0	17.5	16.8	16.0	15.9	16.3	16.3	17.1	17.4	-0.9	-4.8%
State ²	35.0	34.2	33.5	31.8	30.2	29.2	28.9	29.4	30.0	30.2	-4.8	-13.8%
Transportation	70.3	69.1	66.4	63.2	62.4	62.5	63.4	63.7	64.1	65.1	-5.2	-7.4%
Treasury	166.1	161.1	157.3	157.5	151.1	145.5	142.1	143.7	145.5	149.6	-16.5	-10.0%
Veterans Affairs ¹	232.4	234.2	233.1	228.5	221.9	211.5	207.1	205.5	204.1	203.4	-29.1	-12.5%
Other agencies—excluding Postal Service:												
Agency for International Development ¹	4.4	4.1	3.9	3.6	3.4	2.8	2.7	2.5	2.5	2.5	-1.9	-43.8%
Corps of Engineers	29.2	28.4	27.9	27.7	27.1	26.0	24.8	24.7	24.7	24.7	-4.5	-15.4%
Environmental Protection Agency	18.6	17.9	17.6	17.5	17.2	17.0	17.7	18.1	18.1	18.0	-0.5	-2.8%
EEOC	2.9	2.8	2.8	2.8	2.7	2.6	2.5	2.6	2.8	3.1	0.2	7.0%
FEMA	2.7	4.0	4.9	4.6	4.7	5.1	4.6	5.2	4.8	4.9	2.2	79.6%
FDIC/RTC	21.6	21.9	20.0	15.7	11.8	8.7	7.9	7.4	7.5	6.8	-14.8	-68.5%
General Services Administration	20.6	20.2	19.5	17.0	15.7	14.5	14.1	14.1	14.2	14.2	-6.4	-31.1%
NASA	25.7	24.9	23.9	22.4	21.1	20.1	19.1	18.5	18.6	19.0	-6.8	-26.4%
National Archives and Records Admin.	2.8	2.6	2.6	2.4	2.5	2.5	2.4	2.4	2.6	2.7	-1	-1.3%
National Labor Relations Board	2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.8	1.9	2.0	-0.1	-6.7%
National Science Foundation	1.3	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	1.2	-0.1	-10.3%
Nuclear Regulatory Commission	3.4	3.4	3.3	3.2	3.1	3.0	3.0	2.8	2.8	2.8	-0.6	-17.2%
Office of Personnel Management	6.2	5.9	5.3	4.2	3.4	2.8	2.8	2.8	3.0	3.0	-3.2	-51.9%
Panama Canal Commission	8.7	8.5	8.5	8.8	9.0	9.5	9.6	9.2	2.4	-0.1	-8.7	-99.8%
Peace Corps	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.2	1.2	-0.1	-7.1%
Railroad Retirement Board	1.8	1.8	1.7	1.6	1.5	1.4	1.3	1.3	1.2	1.2	-0.7	-36.8%
Securities and Exchange Commission	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	3.0	3.0	0.3	10.7%
Small Business Administration	4.0	5.6	6.3	5.7	4.7	4.5	4.4	4.7	4.6	4.6	0.6	14.9%
Smithsonian Institution	5.9	5.5	5.4	5.3	5.1	5.0	5.0	5.1	5.2	5.3	-0.6	-10.2%
Tennessee Valley Authority	19.1	17.3	18.6	16.6	16.0	14.9	14.4	13.5	13.3	13.2	-5.9	-31.0%
All other small agencies	15.9	15.2	14.7	14.9	13.9	13.6	13.6	13.9	14.5	16.1	0.2	1.2%
Total, Executive Branch civilian employment	2,155.2	2,138.8	2,052.7	1,970.2	1,891.7	1,834.7	1,790.2	1,778.4	1,856.9	1,762.4	-392.8	-18.2%
Reduction from 1993 Base		-16.4	-102.5	-185.0	-263.5	-320.5	-365.0	-376.8	-298.3	-392.8		

Table S-13. Federal Employment in the Executive Branch—Continued

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	Actual							Estimate		Change: 1993 base to 2001	
		1993	1994	1995	1996	1997	1998	1999	2000	2001	FTE's	Percent
Subtotal, Defense	931.3	931.8	868.3	821.7	778.9	745.8	707.2	681.0	661.5	645.5	-285.9	-30.7%
Subtotal, Non-Defense	1,223.9	1,207.1	1,184.4	1,148.4	1,112.8	1,088.9	1,083.0	1,097.4	1,195.4	1,116.9	-107.0	-8.7%
Status of Federal Civilian Employment Relative to the Federal Workforce Restructuring Act ³												
Total, Executive Branch Employment	NA	NA	2,052.7	1,970.2	1,891.7	1,834.7	1,790.2	1,778.4	NA	NA	.....	.....
Less: FTEs exempt from FWRA	NA	NA	5.7	5.7	7.6	7.4	5.2	5.2	NA	NA	.....	.....
Total, Executive Branch subject to FWRA Ceiling	NA	NA	2,047.0	1,964.4	1,884.1	1,827.3	1,785.0	1,773.2	NA	NA	.....	.....
FWRA Ceiling	NA	NA	2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	1,882.3	NA	NA	.....	.....
Executive Branch Employment Relative to FWRA Ceiling ...	NA	NA	-37.6	-78.9	-119.2	-136.1	-137.3	-109.1	NA	NA	.....	.....

¹The Departments of Agriculture, Health and Human Services, Veterans Affairs, and the Agency for International Development have components that were exempt from FTE controls. In 1999, Agriculture had 2,025 exemptions; HHS had 187 exemptions; Veterans Affairs had 3,010 exemptions and AID had 10 exemptions.

²To facilitate historical comparison, the State Department includes the Board of Broadcasting Governors (BBG), the United States Information Agency (which was absorbed into State and BBG), and the Arms Control and Disarmament Agency (which was absorbed into State).

³FTE limitations are set for the Executive Branch in the Federal Workforce Restructuring Act of 1994 (P.L. 103-226) from 1994-99.

Table S-14. Federal Government Financing and Debt ¹
(In billions of dollars)

	Estimate														
	1999 Actual	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Financing:															
Surplus or deficit (-)	124	167	184	186	185	195	215	256	292	314	329	363	403	443	479
(Social Security solvency lock-box: Off-budget)	124	148	160	172	184	195	214	224	239	250	260	272	280	295	309
(Social Security interest savings transfer)													100	118	138
(Medicare solvency debt reduction reserve)			15	13				30	52	64	69	91	22	30	32
(On-budget)	1	19	9	1	*	*	2	1	1	*	*	*	*	*	*
Means of financing other than borrowing from the public:															
Changes in: ²															
Treasury operating cash balance	-18	16													
Checks outstanding, deposit funds, etc. ³	-6	1	2												
Seigniorage on coins	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2
Less Social Security equity purchases													-52	-66	-83
Less: Net financing disbursements:															
Direct loan financing accounts	-19	-29	-18	-18	-17	-16	-16	-16	-16	-15	-15	-15	-16	-16	-16
Guaranteed loan financing accounts	5	*	1	1	1	2	2	2	2	2	2	2	3	3	3
Total, means of financing other than borrowing from the public	-36	-9	-13	-15	-14	-12	-12	-12	-12	-12	-11	-11	-63	-78	-95
Total, repayment of publicly held debt	89	157	171	171	170	183	203	243	280	302	318	352	340	365	384
Change in debt held by the public ⁴	-89	-157	-171	-171	-170	-183	-203	-243	-280	-302	-318	-352	-340	-365	-384
Debt Subject to Statutory Limitation, End of Year:															
Debt issued by Treasury	5,578	5,658	5,742	5,828	5,921	6,009	6,096	6,185	6,268	6,347	6,424	6,502	6,595	6,693	6,794
Adjustment for Treasury debt not subject to limitation and agency debt subject to limitation ⁵	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15
Adjustment for discount and premium ⁶	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Total, debt subject to statutory limitation ⁷	5,568	5,648	5,732	5,819	5,912	5,999	6,086	6,175	6,258	6,337	6,414	6,492	6,585	6,683	6,785
Debt Outstanding, End of Year:															
Gross Federal debt:															
Debt issued by Treasury	5,578	5,658	5,742	5,828	5,921	6,009	6,096	6,185	6,268	6,347	6,424	6,502	6,595	6,693	6,794
Debt issued by other agencies	29	28	27	27	25	24	23	22	20	20	20	20	20	20	20
Total, gross Federal debt	5,606	5,686	5,769	5,855	5,947	6,034	6,118	6,206	6,288	6,367	6,444	6,522	6,615	6,713	6,815
Held by:															
Debt securities held as assets by Government accounts	1,973	2,210	2,464	2,721	2,984	3,253	3,541	3,872	4,234	4,615	5,010	5,440	5,873	6,335	6,821
Social Security	855	1,004	1,164	1,338	1,522	1,717	1,930	2,154	2,392	2,641	2,899	3,170	3,498	3,843	4,206
Federal employee retirement	643	681	717	754	789	824	858	891	922	952	980	1,006	1,034	1,063	1,093
Other	475	525	582	630	672	712	752	828	920	1,023	1,131	1,263	1,341	1,429	1,523
Debt securities held as assets by the public ⁸	3,633	3,476	3,305	3,134	2,963	2,781	2,578	2,334	2,054	1,752	1,434	1,082	742	377	**9

*\$500 million or less.

¹ Almost all Treasury securities held by the public and zero-coupon bonds held by Government accounts are measured at sales price plus amortized discount or less amortized premium. Almost all agency debt is measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

² A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing a deficit and therefore would have a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing a deficit and therefore would also have a positive sign.

³ Besides checks outstanding and deposit funds, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as offsets, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

⁴ Includes a \$355 million reclassification of debt in 2000. Indian tribal funds that are owned by the Indian tribes and held and managed in a fiduciary capacity by the Government on the tribes' behalf were reclassified from trust funds to deposit funds as of October 1, 1999, and their holdings of Treasury securities were accordingly reclassified from debt held by Government accounts to debt held by the public.

⁵ Consists primarily of Federal Financing Bank debt.

⁶ Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

⁷ The statutory debt limit is \$5,950 billion.

⁸ At the end of 1999, the Federal Reserve Banks held \$489 billion of Federal securities and the rest of the public held \$3,144 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

⁹ Total debt will be fully redeemed in 2013. Policy decisions will be required on use of the surplus once debt has been redeemed.

Table S-15. Comparison of Economic Assumptions
(Calendar years)

	Projections										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Real GDP (chain-weighted):¹											
2000 Mid-Session Review ²	2.2	2.2	2.4	2.7	2.6	2.7	2.7	2.6	2.6	2.5	NA
CBO January	2.9	3.0	2.7	2.6	2.6	2.7	2.7	2.7	2.8	2.9	2.9
2001 Budget	2.9	2.6	2.5	2.5	3.0	3.0	2.9	2.8	2.6	2.6	2.6
Chain-weighted GDP price index:¹											
2000 Mid-Session Review	2.0	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	NA
CBO January	1.7	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
2001 Budget	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Consumer Price Index (all-urban):¹											
2000 Mid-Session Review	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	NA
CBO January	2.3	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
2001 Budget	2.3	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Unemployment rate:³											
2000 Mid-Session Review	4.5	4.9	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	NA
CBO January	4.1	4.2	4.4	4.7	4.8	5.0	5.0	5.1	5.2	5.2	5.2
2001 Budget	4.2	4.5	5.0	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Interest rates:³											
91-day Treasury bills:											
2000 Mid-Session Review	4.5	4.5	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	NA
CBO January	5.4	5.6	5.3	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8
2001 Budget	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
10-year Treasury notes:											
2000 Mid-Session Review	5.5	5.5	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	NA
CBO January	6.3	6.4	6.1	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.7
2001 Budget	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1

NA = Not available.

¹ Percent change, fourth quarter over fourth quarter.

² Adjusted for October 1999 NIPA revisions.

³ Annual averages, percent.

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