

**CONCURRENT RESOLUTION  
ON THE BUDGET  
FY 2003**

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**R E P O R T**

OF THE

**COMMITTEE ON THE BUDGET  
UNITED STATES SENATE**

TO ACCOMPANY

**S. Con. Res. 100**

together with

**ADDITIONAL VIEWS**



Setting forth the congressional budget for the United States Government  
for fiscal years 2003 through 2012

APRIL 11, 2002.—Ordered to be printed

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### CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2003

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APRIL 11, 2002.—Ordered to be printed

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

#### R E P O R T

together with

#### ADDITIONAL VIEWS

[To accompany S. Con. Res. 100]

#### I. THE CONCURRENT RESOLUTION ON THE BUDGET: FISCAL YEAR 2003

The Committee-reported Congressional Budget Resolution for Fiscal Year 2003 provides a strong response to all the serious challenges facing America today. Unfortunately, the President and the Republican-controlled Congress last year squandered a golden opportunity to address the serious problems facing the nation before the terrible September 11 attacks. And, while it appropriately provides the resources necessary to wage the war on terrorism, the budget the President submitted this year does no better in facing up to the challenges that existed before September 11 than did the Republican budget last year.

Unlike the President's budget, the Committee-reported resolution not only provides the resources needed to meet the challenge of fighting the war against terrorism at home and abroad, it also faces up to all of the other challenges facing the nation.

- The budget resolution provides all the resources requested by the President for homeland security.
- The budget resolution provides all the resources requested by the President for the Department of Defense for the next two years. It includes a reserve fund that will provide all the defense funding requested by the President in 2005 through 2012 if it becomes clear

that the funds are needed. If the funds in the defense reserve are not needed for future defense needs, those funds will be used to pay down the debt.

- The budget resolution proposes to pay down more debt than the President would, reducing it as much as possible given the other high priority needs of the nation. If the amounts in the defense reserve fund are not needed to meet unanticipated demands in the defense area, debt paid down under the budget resolution will exceed the debt paid down under the President's budget by about \$502 billion over 10 years. If the defense reserve funds are needed to boost spending for national security, the budget resolution would still provide more than \$233 billion more debt reduction than the President's budget would.

- Unlike the President's budget, the budget resolution puts the budget on a path back to balance without the use of the Social Security trust funds so that those funds can be used as intended—to help prepare for the retirement of the baby boom population—instead of to pay for tax cuts and other programs. The budget resolution puts in place a mechanism that will require Congress to consider a plan next year that would lead to a balanced budget without Social Security by 2008. The President's budget does not achieve balance without Social Security in any year.

- The budget resolution assumes no repeal or delay of tax rate reductions that are scheduled to occur in future years under the law enacted last year. Unlike the President's budget, it also assumes that any additional tax cuts will be paid for.

- The budget resolution proposes a Medicare prescription drug benefit that will provide real help for the nation's elderly. The budget resolution also provides resources that are needed to expand health coverage for Americans who currently lack insurance. The resources for these purposes provided in the budget resolution are almost double the amount proposed by the President.

- Unlike the President's budget, the budget resolution provides new mandatory spending to ensure that the Individuals with Disabilities Education Act will be fully funded.

- And unlike the President's budget, the budget resolution provides the resources for crucial investments that will meet high priority current needs and help prepare the nation to meet all of the daunting challenges facing us in coming years. For instance, in 2003:

- It provides \$5.4 billion more than the President for education;

- It provides \$3.5 billion for COPS and other state and local law enforcement assistance programs, \$1.4 billion more than the President;

- It provides \$5.7 billion more funding than the President for highways;

- It provides \$1.2 billion more than the President for veterans' medical care; and,

- It provides \$2.4 billion more than the President for natural resources and environment programs.

## THE CHALLENGES

America faces tremendous challenges as winter turns to spring in 2002. Some of these challenges are all too obvious every morning in the nation's newspapers and every evening on the nightly news: the challenge of rooting out al Qaeda and Taliban fighters that confronts our troops in Afghanistan; the challenge of responding to the possibility of more terrorist attacks against our homeland; and the challenge of ensuring that the American economy resumes the robust economic growth that marked the record-breaking economic expansion that ended a year ago.

*Facing the retirement of the baby-boom generation*

But America also faces other very serious challenges that are not so much in the daily news. In just six years, the oldest members of the huge baby-boom population will become eligible for federal retirement benefits. As the number of citizens over 65 grows—that population is expected to double by 2035—the pressure on the federal budget will increase dramatically. The Congressional Budget Office (CBO) estimates that the cost of Social Security, Medicare, and Medicaid will nearly double by 2030, to almost 15 percent of gross domestic product (GDP). Currently, total federal spending equals 19 percent of GDP. In testimony before the Senate Budget Committee in January, CBO Director Dan Crippen stated that:

Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: We'll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30 percent of GDP, obviously unprecedented in our history; or eliminate most of the rest of the government as we know it. That's the dilemma that faces us in the long run and these next ten years will only be the beginning.

This demographic tidal wave represents a challenge unlike any this nation has ever faced. Although the most serious impacts on the budget posed by this graying of America will not be felt in the next 10 years, what is done in the budget over the next decade will have a crucial effect on how the nation is able to meet the long-term challenge.

*Facing the need for a Medicare prescription drug benefit*

In addition to the challenge posed by the anticipated needs of tomorrow's elderly population, we also face a challenge to provide today's elderly with relief from the crippling costs of prescription drugs. The federal Medicare program has made a great contribution to the well-being of America's elderly citizens, ensuring that they will receive the hospital and physician services they need without bankrupting themselves and their families. But when Medicare was enacted nearly four decades ago, its proponents did not foresee the tremendous strides that would be made in the development of pharmaceuticals and did not include a general prescription drug benefit in the Medicare package. Today, thousands of drugs that were unknown decades ago play a crucial role in keeping our elderly population alive, healthy, and active. But the costs of these drugs are skyrocketing and the lack of prescription drug coverage in Medicare and the cost of private prescription drug

insurance are forcing seniors to spend far too much of their limited income on prescription drugs or to do without prescriptions they need.

*Facing the need for improved education, infrastructure, and environmental protection*

We also face a series of challenges in providing our citizens with the tools they will need to prosper. The first challenge is to provide a high-quality education to every American. Not only do all Americans deserve an education that will allow them to make the most of their potential, but investing in a first-class educational system is the best way to ensure that the American economy will remain the strongest in the world and our citizens will be able to meet all of the challenges that will face them in coming decades. Another challenge is to make investments that will improve our highways and other elements of our infrastructure that play a crucial role in our economy and in the well-being of our citizens. We also must meet the challenge of protecting our environment while promoting strong economic growth.

*Facing the need to protect the well-being of our citizens*

We also face a challenge to ensure that Americans are secure not only against the threat of terrorism but also from other threats to their health and happiness. We must provide resources for police who can protect our citizens from crime and ensure that neighborhoods are safe and full of vitality. We must make sure that all Americans are protected from the threat of inadequate access to health care. We must provide first-class services for veterans of our nation's armed services. We must ensure that workers who temporarily lose their jobs and citizens who are struggling to enter the workforce have the resources they and their families need to prepare for a better future.

These challenges are daunting, but the American people have the capacity to meet them and continue to move this country forward if the nation's leaders face up to the challenges and help citizens prepare to meet them.

SQUANDERED OPPORTUNITIES

Last year our national leaders were presented with a golden opportunity to set this nation on a course to deal with the challenges facing it. After more than 15 years of nearly constant efforts to reduce large budget deficits and a decade-long economic expansion that was spurred at least in part by that fiscal discipline, the near-term budget outlook was unprecedentedly bright. The Congressional Budget Office projected that unified surpluses would total \$5.6 trillion over the 2002–2011 period. Excluding the Social Security and Medicare trust funds, the projected surpluses would still total \$2.7 trillion over that period.

The Senate Democrats developed a budget plan that would have used those unprecedented projected surpluses in a manner that would address all of the issues facing the nation. That plan would have devoted all of the Social Security and Medicare trust fund surpluses to pay down the debt, instead of allowing them to be used to pay for tax cuts or other programs. The remaining \$2.7 trillion would have been divided into thirds and used to meet the

other national needs. One-third (\$900 billion) would have been devoted to a tax cut that would go primarily to middle- and working-class Americans, would provide an immediate boost to help fend off or dampen a recession, and would not explode in costs in the later years of the plan. A second \$900 billion would have been devoted to high priority needs such as a Medicare prescription drug benefit and needed improvements in education. The final \$900 billion of the available (non-Social Security, non-Medicare) surplus would have been set aside as a cushion against unanticipated reductions in the projected surplus and to fund needed major reforms of Social Security and Medicare.

But the President and Republicans in Congress instead pushed through a plan that had only one priority—tax cuts. The President proposed a tax cut that would have cost nearly \$2.2 trillion over 10 years (including interest costs). Because of the huge tax cut, there were not enough resources left to address other challenges. The President's budget proposed an inadequate Medicare prescription drug benefit, did not fully fund all of the nation's education needs (even though he called education his top priority), and did not set aside any funds to reform Social Security or Medicare. The cost of the President's tax cut over 10 years was reduced slightly as it made its way through Congress, but that largely reflected a slow phase-in of key provisions in the bill and the sunset of all provisions of the bill at the end of 2010. More importantly, if the provisions in the tax bill are made permanent, the cost would exceed \$4 trillion in the second decade—2012 through 2021—without counting the cost of increased interest payments. This would drain a vast amount of resources from the government just as the costs of the retirement of the baby-boom population begin to soar.

The effects of this squandered opportunity are being felt this year. Because of enactment of the huge tax cut, there was no cushion against the unanticipated costs of the war on terrorism or against the revenue drain resulting from the economic slowdown that began last March. As a result, we are facing deficits excluding Social Security until 2010 if current policies remain unchanged.

According to CBO, the President's budget would not ever produce a surplus without using Social Security. In fact, without Social Security, deficits under the President's budget would total \$1.8 trillion for the entire 2003–2012 period. Given the drain on resources resulting from last year's tax cut, it is not surprising that the President has once again failed to propose adequate resources for a Medicare prescription drug benefit, for needed education improvements, or for a host of other priority national needs. And once again the President has failed to propose any resources for Social Security or Medicare reform, much less the resources that would be needed to implement any of the alternatives proposed by his own Social Security commission.

Perhaps worst of all, the budget submitted by the President this year proposes even more tax cuts. In fact, tax cuts represent the largest cost in his budget. According to CBO, his proposed tax cuts would cost more than \$680 billion (including refundable tax credits but not including interest costs) over the next 10 years. This is 42 percent more than the \$483 billion CBO estimated the President's proposed increase in defense spending would cost during the same period.

The President's budget does represent an appropriate response to the September 11 attacks—it provides the resources that will allow our armed forces, homeland security personnel, and citizens to respond to the challenge posed by terrorists. But—just as last year—the President's budget does not respond adequately to the other major challenges facing this nation.

#### RESPONDING TO THE CHALLENGES—THE BUDGET RESOLUTION

The budget resolution represents a budget that confronts all of the challenges facing our nation and provides the resources needed to help Americans meet these challenges the way our forefathers have met challenges throughout our history.

*Homeland Security.*—The events of September 11 and their aftermath require that homeland security be one of the nation's highest priorities. The budget resolution reflects the national commitment to homeland security by fully funding the President's \$37.7 billion request for homeland security for 2003 (\$4.7 billion of this total is offset by user fees under both the President's budget and the budget resolution). This total represents an \$8.4 billion increase above the 2002 level provided for activities identified as homeland security. Of the total funding for 2003, \$7.8 billion is for defense-related homeland security. The remaining net spending of \$25.2 billion is for domestic agency homeland security activities, which are spread throughout the government. As identified in the President's budget, that funding is for activities dealing with first responders, biological terrorism, border security, aviation security, and information technology.

*National Security.*—The budget resolution provides the full amount of discretionary funding requested by the President for defense activities for fiscal years 2003 and 2004 (\$393 billion, including \$10 billion requested as an unallocated contingency fund, and \$400 billion, respectively). The amount provided for 2003 represents a \$35.9 billion increase above the level appropriated for 2002, adjusted for inflation. This amount provides full funding for the war on terrorism and defense-related homeland security efforts, accelerated transformation of the armed services, a 4.1 percent pay raise for all military personnel, and accelerated replacement of military family housing.

The budget resolution includes a Reserve Fund for Defense that guarantees that the full amount requested by the President for 2005 through 2012 will be available if events prove that the full amount is needed in those years as well as in 2003 and 2004. If the reserve funds are not needed for defense spending, they will be devoted to protecting Social Security and paying down the debt.

In 2004, defense funding provided in the budget resolution is \$34 billion above the level provided for 2002, adjusted for inflation. The budget resolution assumes that, in the absence of unanticipated levels of military action due to the war on terrorism after 2004, it will be possible to achieve savings in defense in 2005 and later years through transformation and reform efforts touted by the Secretary of Defense and others inside and outside the administration. The budget resolution assumes that defense funding will grow at the rate of inflation from the 2004 level through 2012. Over the entire 2003–2012 period, defense funding without the reserve funds would be \$378 billion above CBO's projections of the amount re-



quired to maintain the current level of funding, adjusted for inflation. Over that ten years, it would be almost \$900 billion above what CBO estimated in January 2000 would be required to maintain the enacted fiscal year 2000 level of funding, adjusted for inflation. At the level of spending provided for 2003, the United States will spend more on defense than the next 18 top-spending other nations combined.

The budget resolution provides mandatory funding of \$516 million in 2003 and \$17.8 billion over 10 years to provide full concurrent receipt of military retirement and veterans disability benefit to veterans who are 60 percent to 100 percent disabled as a result of military service. Phase-in of this benefit begins in 2003 and is fully in place by 2007. The budget resolution supports the same policy on concurrent receipt as the budget resolution reported by the House Budget Committee on March 13, but provides funding for 10 years (the House resolution covers only five years).

*Paying Down Debt.* If the defense reserve fund amounts do not have to be used to meet unanticipated defense costs, \$502 billion more in debt reduction will be achieved under the budget resolution than under the President's budget. Even if the defense reserve is needed to fund a higher-than anticipated level of defense spending instead of being used to pay down the debt, the debt reduction in the budget resolution still exceeds that in the President's budget by \$233 billion.

*Protecting the Social Security Trust Funds.*—The budget resolution includes a “circuit breaker” that will put the budget on a path to balance without Social Security by 2008. Under this circuit breaker mechanism, if the Congressional Budget Office determines next January that the outlook has not improved and the Social Security trust funds are still in danger of being used for other than their intended purposes over the next decade, the Budget Committee will be required to report a budget plan that will return the budget to balance without Social Security within five years. In contrast, the President's budget would not put the budget on a path to balance. According to the Congressional Budget Office, in 2012 there would still be a deficit of \$100 billion without Social Security under the President's budget.

The budget resolution recognizes that it is crucial to return the budget to balance without Social Security as soon as possible because the first members of the baby-boom generation will become eligible for Social Security in 2008 and the effects of this demographic tidal wave will begin to grow rapidly in the succeeding years. Balancing the budget without Social Security will help pay down the debt, boost economic growth, and make sure resources are available to pay for needed reforms of Social Security and Medicare.

*Medicare Prescription Drugs and Other Health Care.*—The budget resolution includes a \$500 billion (over 10 years) reserve fund for a bill or bills that would establish a Medicare prescription drug benefit, provide relief for Medicare providers, or expand health care coverage for Americans currently lacking health insurance. It also provides that additional benefits that would push the total cost of the package above \$500 billion will be allowed if those additional benefits are paid for.

The health care funding provided in the budget resolution contrasts with the \$258 billion over 10 years included in the President's budget for Medicare prescription drugs and expanded health coverage. The amount provided in the President's budget clearly is insufficient for a prescription drug benefit that will truly meet the needs of the nation's elderly citizens and to expand health coverage for working families without health care coverage. The President's budget did not provide any funds for Medicare provider relief.

The budget resolution matches the President's request for a \$3.9 billion increase for 2003 above last year's level for the National Institutes of Health. This amount meets the target for the final installment in the plan to double the agency's budget over five years (1999–2003). The budget resolution provides a \$1 billion increase in funding above the President's request for the Indian Health Service. It also provides an increase of \$0.5 billion above the President's request for the Centers for Disease Control and Prevention. This will fully restore the cuts the President proposed to programs including Chronic Disease Prevention, Occupational Safety and Health, Infectious Disease Control, and Public Health Improvement.

*Education.*—The budget resolution provides a substantial increase in 2003 program year education funding above last year's level. Taking into account discretionary funding for the Department of Education and new mandatory funding proposed for the Individuals with Disabilities Education Act (IDEA), it provides an increase of \$6.8 billion over the 2002 program level. This is slightly higher than last year's \$6.7 billion increase above the 2001 program level. By comparison, the President's budget proposed only a \$1.4 billion increase this year.

This \$6.8 billion increase includes \$2.5 billion over the 2002 program level for elementary and secondary education programs in the No Child Left Behind Act. In contrast, the President's budget proposes a nearly \$1000 million cut in these programs.

The budget resolution assumes that full funding of IDEA will be phased in over the next six years. To help ensure that outcome, it includes a reserve fund that provides new mandatory budget authority increases in each year of \$2.5 billion over the previous years until the full funding level is reached. This new mandatory spending totals \$91 billion in outlays over 10 years.

*State and Local Law Enforcement.*—The budget resolution provides \$1.4 billion to restore cuts the President proposed in 2003 for state and local law enforcement grants, including Community Oriented Policing Services (COPS) grants. Although the President cuts current COPS programs by almost \$500 million, he claims an increase in COPS funding because of a proposed new \$800 million Justice Assistant grant he wants included under the COPS umbrella. More importantly, he proposes a \$1.7 billion cut in all other state and local law enforcement grant funding, so that total funding for state and local law enforcement assistance would decline by \$1.4 billion under the President's budget.

*Highways and other Transportation.*—The budget resolution rejects the President's request for a deep cut in the Federal Aid Highway Program (FAHP) obligation limitation that would force states to forego or postpone critical highway infrastructure investments. The budget resolution assumes a FAHP obligation limitation of

\$28.9 billion in 2003—\$5.7 billion above the President's revised request. The amount provided in the budget resolution would allow states to proceed with their plans and could save more than 200,000 jobs that would be lost under the President's proposal. The funding provided in succeeding years will allow for steadily increasing spending on highways while maintaining a sufficient cash balance reserve in the Highway Trust Fund throughout the period expected to be covered by the next surface transportation reauthorization bill.

The budget resolution provides \$1.2 billion in funding for Amtrak in 2003, \$679 million above the amount requested by the President and \$579 million above the level enacted for 2002. In addition, it fully funds the President's request for \$4.8 billion for the newly-created Transportation Security Administration, which will coordinate and manage federal security efforts across all transportation modes and will be responsible for overseeing passenger screening and aviation security.

*Veteran's Services.*—The budget resolution provides a \$2.6 billion increase in funding in 2003 above last year's level for veterans' medical care, \$1.2 billion above the amount requested by the President. The budget resolution rejects the President's proposal to impose a \$1,500 deductible for medical services on certain veterans. That proposal would cause an estimated 100,000 or more veterans to leave, or choose not to enroll in, the Department of Veterans Affairs medical care system. Another 300,000 veterans would have their health care services diminished. The additional funding provided by the budget resolution will relieve the financial pressure on the Veterans Health Administration and allow it to provide the high quality care it is capable of delivering. Most importantly, this funding will ensure that we are able to meet the health care needs of those who have served our nation through military service.

*The Environmental and Energy Security.*— The budget resolution restores \$2.4 billion in cuts (below the 2002 level, adjusted for inflation) proposed by President Bush for natural resource and environment program. It restores over \$1 billion in funding for water resources, \$113 million for Superfund cleanup, and bolsters effective federal enforcement of our existing environmental laws.

Including additional amounts provided for salmon conservation and restoration, the budget resolution provides \$2.5 billion more in funding for natural resource and environment programs. The budget resolution provides full funding of the Land, Conservation, Preservation and Infrastructure Improvement Program at \$1.9 billion in budget authority in 2003.

The budget resolution assumes enactment of the Energy Policy Act of 2002. Following the authorizations in the Act, it provides a net increase of \$4.3 billion for priority energy research and development over 10 years.

The budget resolution rejects the President's proposal to supplement renewable energy research and development with funds made available through the sale of oil and gas drilling rights in the Arctic National Wildlife Refuge.

*Help for America's Farmers.*—The budget resolution assumes timely enactment of a farm bill with funding consistent with the Senate-passed bill and the President's overall request for programs covered by the farm bill. This funding will facilitate establishment

of a new approach to providing assistance to our nation's hard-pressed farmers in place of the failed policies of the Federal Agricultural Improvement and Reform Act of 1996 (also known as the Freedom to Farm Act).

*Help for America's Working Families.*—The budget resolution assumes reauthorization of the Child Care Development Block Grant and the Temporary Assistance for Needy Families Block Grant and provides \$23 billion over 10 years to help expand and improve upon the accomplishments to welfare reform and to ensure that families that have moved from welfare to work continue to move up the ladder of economic success.

The budget resolution restores more than \$500 million in cuts the President proposed in low-income housing assistance programs and \$300 million in cuts the President proposed in the Low Income Home Energy Assistance Program.

The budget resolution provides \$900 million for 2003 to restore cuts proposed in the President's budget for the Department of Labor's job training and employment services programs, including assistance for low-income and disadvantaged youth and adults, displaced workers, and community services for older Americans. It also funds a \$73 million increase that the President proposed for the Job Corps program.

The budget resolution provides a \$400 million increase above last year's program level for Head Start, \$270 million more than the President proposed in his budget. The budget resolution also provides \$150 million to prevent the elimination of the early learning fund and cuts in community services and research programs, which the President proposed in his budget.

SENATE COMMITTEE-REPORTED BUDGET RESOLUTION FOR FY 2003: TOTALS BY CATEGORY

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Total budget .....	2,046.2	2,179.8	2,337.8	2,463.3	2,585.2	2,722.7	2,870.6	3,018.7	3,285.2	3,554.6
On-budget .....	1,500.8	1,606.3	1,735.7	1,832.4	1,924.3	2,030.4	2,144.0	2,254.5	2,482.8	2,712.4
<b>Outlays</b>										
Discretionary .....	794.7	816.5	835.4	847.4	858.3	884.9	906.6	929.1	955.2	969.8
Mandatory .....	1,168.9	1,196.1	1,278.5	1,358.7	1,443.8	1,547.6	1,648.2	1,759.1	1,890.2	1,983.5
Net interest .....	174.8	193.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
Total budget .....	2,138.4	2,206.3	2,312.3	2,402.9	2,495.0	2,620.4	2,736.3	2,861.3	3,008.5	3,099.4
On-budget .....	1,768.7	1,826.8	1,920.9	1,997.3	2,074.6	2,184.0	2,280.7	2,384.3	2,509.6	2,574.7
<b>Surplus</b>										
Total budget .....	-92.2	-26.5	25.6	60.4	90.2	102.3	134.3	157.4	276.7	455.3
On-budget .....	-267.9	-220.6	-185.2	-164.9	-150.3	-153.7	-136.7	-129.8	-26.9	137.7
Debt held by the public .....	3,516.9	3,557.5	3,548.3	3,503.4	3,427.6	3,338.8	3,217.5	3,072.5	2,806.6	2,361.6

Notes.—On-budget totals exclude the Social Security surpluses and the Postal Service. These estimates assume that defense reserve funds will be available to protect Social Security and pay down the national debt.

## II. THE CONGRESSIONAL BUDGET RESOLUTION

A Congressional budget resolution is a document through which the Congress expresses its collective judgment about the overall path of the federal budget and about priorities within that budget. Although the budget resolution does not directly affect federal spending or revenues, once it has been adopted by the Senate and the House of Representatives it serves as a blueprint that guides Congressional consideration of legislation that does provide appropriations, increase or decrease mandatory spending, or make changes in tax laws.

### WHAT IS A CONGRESSIONAL BUDGET RESOLUTION?

The Congressional budget resolution and the procedures that enforce the resolution are provided for in the Congressional Budget and Impoundment Control Act of 1974 (the Budget Act). The nature and content of the budget resolution are set forth in section 301 of the Budget Act. The budget resolution is a concurrent resolution, which is a legislative form used to deal with matters relating to the operations of both Houses of Congress. A concurrent resolution does not have the force of law (which is why it cannot directly affect spending or revenues) because it is not presented to the President to sign or veto as is required by the Constitution for any measure making new law. A concurrent resolution instead takes effect when it is adopted in identical form by the Senate and the House of Representatives (even matters set forth in the resolution that affect only one body do not take effect until both houses have adopted the resolution).

### COVERAGE AND CONTENT OF A BUDGET RESOLUTION

Section 301(a) of the Budget Act provides that a budget resolution shall cover at least five years—the budget year (the fiscal year starting during the current session of the Congress) and the four succeeding years. In recent years, resolutions have covered the budget year and the nine succeeding years. The resolution may also contain revisions for the current year. Section 301(a) provides that for each of the covered years, the resolution shall set forth appropriate levels for:

- Totals of new budget authority and outlays;
- Total federal revenues, and the amount, if any, by which revenues should be increased or decreased;
- The surplus or deficit;
- New budget authority and outlays for each of the major budget functions (there are 19 such functions covering broad program areas plus a function for allowances);
- The public debt; and
- Social Security outlays and revenues for purposes of Senate enforcement. (These off-budget outlays and revenues of the Social Security Old-Age and Survivors and Disability Insurance trust funds are explicitly excluded from the amounts in the resolution listed above.)

Section 301(b) of the Budget Act provides that the resolution may include other matters, most notably reconciliation directives that require Senate and House Committees (other than the Budget Committees) to report legislation needed to implement the budget

resolution. Legislation reported pursuant to such reconciliation directives is considered under special procedures in the Senate and the House (set forth in section 310 of the Budget Act) that are intended to expedite final disposition of the reconciliation legislation.

CONTENT OF THE BUDGET COMMITTEE REPORT ON A BUDGET  
RESOLUTION

Section 301(e)(2) of the Budget Act requires that any committee report accompanying the budget resolution include:

- A comparison of the spending, revenues, and surplus or deficit set forth in the budget resolution with those in the budget submitted by the President;
- The budget authority and outlays set forth in the budget resolution for each function divided between mandatory and discretionary amounts;
- The economic assumptions underlying the budget resolution;
- Information about the basis on which the committee determined the levels of spending, revenues, and surpluses or deficits set forth in the budget resolution;
- The estimated levels of tax expenditures by major items and functional categories; and
- An allocation of the spending set forth in the budget resolution among Congressional committees.

This so-called 302(a) allocation is the basis for points of order under the Budget Act against legislation which provides spending within the jurisdiction of a committee in excess of amounts assumed in the budget resolution for that committee.

Section 301(e)(3) provides that the committee report may include other information, including any “other matters, relating to the budget and fiscal policy, that the committee deems appropriate.”

III. ECONOMICS

The budget resolution is built upon CBO’s assumptions about the future path of the U.S. economy. CBO has made an economic forecast for 2002 and 2003 that reflects the current state of the economy and business cycle conditions. It has made projections for years 2004 through 2012 that reflect its assessment of average value for that period based on longer-term trends in the economy.

OVERVIEW

The country’s longest economic expansion on record came to an end in March 2001. The unemployment rate, which had edged up from 4 percent in December 2000 to 4.3 percent in March 2001, jumped to 5.8 percent by the end of the year. Growth in real (inflation-adjusted) GDP, which had moderated substantially starting in the second half of 2000, fell by 1.3 percent in the third quarter of 2001. To date, the recession looks fairly typical in terms of job losses and reductions in hours worked, compared with the median postwar recession. However, strong productivity growth has kept output losses very moderate by the standards of past recessions. Economists’ worst fears about the negative effects of the September 11 terrorists attacks were not realized, and recent data suggest that the contractionary phase of the current business cycle has

probably ended. GDP rose again in the fourth quarter at a rate of 1.7 percent, after only one quarter of negative growth and the unemployment rate in March was 5.7 percent. Although considerable uncertainty remains about how strong and sustainable an expansion we can expect, the short-term outlook has been improving.

The economic expansion of the 1990s was extraordinary for a number of reasons besides its length. For example, inflation remained tame even as the unemployment rate declined to rates that had not been seen in three decades. Usually in the late stages of an expansion, aggregate demand begins to run ahead of aggregate supply and inflation begins to heat up, which, in turn, leads the Federal Reserve to make monetary policy more restrictive. A second notable feature of the expansion was extraordinary business investment in equipment and software, which grew at double-digit rates from 1993 to 2000. In part because of this furious pace of investment, productivity, which usually slows in the mature stages of an expansion, instead accelerated between 1995 and 2000.

The origins of most postwar recessions can be traced to some combination of a loss of consumer confidence and a tightening of monetary policy in response to inflationary pressures. The current recession, however, appears to be more related to a retreat from the exuberance of the late 1990s. After tripling in value between January 1994 and March 2000, the stock market (as measured by the broadly based Wilshire 5000 index), lost a quarter of its value over the next year and was down nearly a third by the end of September 2001. Business investment in equipment and software has fallen for five straight quarters to a level nearly 9 percent below its peak. Adding to the economy's weakness in the short run, businesses pared back their inventories substantially.

In contrast to many past recessions when economic policy responses were poorly timed, policy has helped moderate this recession. The Federal Reserve aggressively cut short-term interest rates beginning in January 2001. However, the deterioration of the long-term budget outlook, due in large measure to the deferred provisions of the tax cut, was most likely an important factor keeping long-term interest rates from falling as much as might have been expected as a result of the Fed's substantial easing of monetary policy.

Look ahead, CBO, like the administration and most private sector forecasters, expects an economic recovery to begin this year. In fact, the most recent data now suggest that the economy bottomed out in the fourth quarter of last year. The advance estimate of GDP growth for that quarter was 0.2 percent at an annual rate when most forecasters were expecting a decline of about 1 percent; the preliminary estimate based on more complete data was 1.4 percent. This stronger-than-expected growth led CBO to revise its January economic forecast when it re-estimated the President's budget in March. CBO is now projecting an even shallower recession, though it has not revised its longer-term economic projections for 2004 and beyond. And as noted above, the revised final estimate for fourth quarter GDP growth was 1.7 percent.

Despite this brighter forecast, the economic outlook remains murky. The sharp contraction in inventories, which hurt growth in the short run, means that the economy should get some stimulus simply from a return to normal inventory-building behavior. How-



ever, a sustained recovery requires a more broadly based pick-up in demand. The sharp contraction in business investment may have worked off some of the excess capacity that built up at the end of the last expansion, but there are few signs yet of a strong revival in business demand. Household spending held up remarkably well in the recession, but that probably means that there is correspondingly less likelihood of a strong bounce-back in consumption to drive the recovery. Finally, weak performance in the rest of the world means that the United States cannot count on robust demand for our exports as a resource of strength in the recovery.

#### COMPARISON OF CBO'S ECONOMIC ASSUMPTIONS AND THOSE OF THE ADMINISTRATION AND THE BLUE CHIP CONSENSUS

At the time the administration released its budget, the forecasts of CBO, the Office of Management and Budget (OMB), and the Blue Chip consensus of private forecasters were quite similar and within the normal bounds of error for such forecasts. However, the forecasts were predicated on different assumptions. CBO's baseline assumes no policy changes. In contrast, the administration assumes adoption of the President's policies, including a stimulus package. Individual Blue Chip forecasters make their own assumptions about what policies will or will not be enacted, and such assumptions can vary substantially. Because both the CBO and Blue Chip forecasts have been updated to incorporate new information, they now show stronger real growth in 2002 than OMB does, though the changes mainly affect 2002 and 2003, not the outyears.

#### GROWTH

All three forecasts see a recovery in 2002 and even faster growth in 2003. CBO forecasts that GDP in calendar 2002 will be 1.7 percent higher than it was in 2001 and that it will grow a further 3.4 percent from 2002 to 2003. OMB forecasts lower growth in 2002 (with stronger "catch-up" growth in 2003), but by 2012 CBO and the administration have nearly identical projections for real GDP. The February Blue Chip consensus is slightly below CBO in 2002 and 2003.

#### INFLATION

All three forecasts expect inflation to remain tame. CBO forecasts that the GDP price index will grow 1.4 percent in 2002 and 2.0 percent in 2003, a pattern roughly similar to that of the Blue Chip consensus. The administration has a somewhat larger increase in the GDP price index in 2002, which boosts nominal income and, other things equal, expected revenues. The three forecasts are in closer agreement on consumer price inflation, though the administration assumes slightly slower growth in the consumer price index than CBO.

#### INCOME SHARES

Some types of national income are more highly taxed than others. In particular, corporate profits and wages and salaries are the main tax base. Assuming roughly similar average tax rates, revenues as a share of GDP are higher when taxable income is higher as a share of GDP. CBO's revisions between January and March

were all to corporate profits. CBO assumes that corporate profits and wages and salaries fall from 57.1 percent of GDP in 2001 to 56.7 percent in 2002 before rising back above 57 percent thereafter. The administration has a more optimistic course, mainly because corporate profits are not assumed to fall off as much in 2002 and are assumed to bounce back more strongly in 2003.

#### INTEREST RATES

CBO assumes three month Treasury bills fall to 2.2 percent in 2002 in the face of economic weakness, but then rise back to 4.5 percent in 2003 and 4.9 percent thereafter. The administration and the Blue Chip forecast the same drop in 2002, but both assume a more modest increase in 2003. Thereafter, the administration is the most optimistic about short-term interest rates and CBO is the most pessimistic. CBO assumes 10-year Treasury notes yield 5.1 percent in 2002, with the yield rising to 5.5 percent in 2003 and 5.8 percent thereafter. The Blue Chip consensus has a similar path, but the administration assumes long-term rates do not rise much above their 2002 level.

#### SENSITIVITY TO ECONOMIC CHANGES

To illustrate the impact of economic uncertainty on the budget, CBO has computed the baseline surplus under alternative assumptions about when the recovery takes place (using the January baseline, not the revised March baseline.) In the “Faster Recovery” scenario, both GDP and taxable income start to grow rapidly from the beginning of 2002. CBO reports that such rapid bouncebacks occurred in 1968 and 1972. In the “Deeper Recession” scenario, CBO assumes that recovery does not begin in 2002 but rather that the recession mimics the average of postwar recessions.

#### SURPLUSES/DEFICITS UNDER ILLUSTRATIVE ECONOMIC SCENARIOS

[In billions of dollars]

	2002	2003	2004	2005	2006	2002-2006
Faster Recovery .....	50	99	146	176	193	664
CBO Baseline .....	-21	-14	54	103	128	250
Deeper Recession .....	-89	-143	-64	10	50	-236

Over the first 5 years, the Faster Recovery scenario produces unified surpluses that are \$414 billion higher than in the CBO baseline. The Deeper Recession scenario produces a cumulative deficit of \$236 billion, \$486 billion less than the \$250 billion cumulative surplus in the CBO baseline.

#### COMPARISON OF ECONOMIC ASSUMPTIONS

	Estimate 2001	Forecast		Projected Annual Average	
		2002	2003	2004-2007	2008-2012
Nominal GDP (year or end of period, billions of dollars):					
CBO (March) .....	10,206	10,52	11,092	13,639	17,532
CBO (January) .....	10,193	10,42	11,063	13,639	17,532
OMB .....	10,197	10,48	11,073	13,614	17,404
Real GDP (percentage change):					
CBO (March) .....	1.2	1.7	3.4	3.2	3.1

## COMPARISON OF ECONOMIC ASSUMPTIONS—Continued

	Estimate 2001	Forecast		Projected Annual Average	
		2002	2003	2004–2007	2008–2012
CBO (January) .....	1.0	0.8	4.1	3.2	3.1
OMB .....	1.0	0.7	3.8	3.4	3.1
Blue Chip .....	n.a.	1.5	3.5	3.3	3.2
GDP price index (percentage change):					
CBO .....	2.2	1.4	2.0	2.0	2.0
OMB .....	2.3	2.0	1.8	1.8	1.9
Blue Chip .....	n.a.	1.4	1.8	2.1	2.2
Consumer price index (percentage change):					
CBO .....	2.9	1.8	2.5	2.5	2.5
OMB .....	2.9	1.8	2.2	2.4	2.3
Blue Chip .....	2.9	1.5	2.4	2.7	2.6
Unemployment Rate (percent):					
CBO .....	4.8	6.1	5.9	5.2	5.2
OMB .....	4.8	5.9	5.5	5.0	4.9
Blue Chip .....	4.8	6.0	5.6	4.9	4.9
Three-month treasury bill rate (percent):					
CBO .....	3.4	2.2	4.5	4.9	4.9
OMB .....	3.4	2.2	3.5	4.2	4.3
Blue Chip .....	3.4	2.1	3.4	4.6	4.7
Ten-year treasury note rate (percent):					
CBO .....	5.0	5.0	5.5	5.8	5.8
OMB .....	5.0	5.1	5.1	5.2	5.3
Blue Chip .....	5.0	5.1	5.6	5.7	5.8
Taxable Income Share (corporate profits plus wages and salaries as share of GDP):					
CBO .....	57.1	56.7	57.1	57.2	57.1
OMB .....	56.9	57.0	57.5	57.8	57.5

Sources: Office of Management and Budget; Congressional Budget Office; Blue Chip Economic Indicators, Aspen Publishers, Inc.  
Notes.—February Blue Chip consensus for 2001–03; Blue Chip for 2004–2012 based on October 2001 long-run survey.

## IV. SPENDING AND REVENUES

## BUDGET ASSUMPTIONS

One of the essential tools the Budget Committee uses in determining the budget policies in the budget resolution is a set of baseline projections that indicate what the level of spending, revenues, and surpluses or deficits will be if current policies remain unchanged. The baseline used by the Budget Committee is based on projections made by the Congressional Budget Office in its January 2002 Budget and Economic Outlook: Fiscal Years 2003 through 2012, as revised and reported in CBO's March 2002 Analysis of the President's Budgetary Proposals for Fiscal Year 2003.

In preparing its baseline projections CBO follows the baseline rules laid out in Section 257 of the Balanced Budget and Emergency Deficit Control Act. For discretionary spending (which is controlled by annual appropriation bills), the rules provide that the projections should assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2002), adjusted for inflation, throughout the projection period (currently, 2003 through 2012). For mandatory spending and revenues, which are usually governed by permanent law, the rules generally provide that the projections should assume no changes in current law (any phasing in, or phasing out, of policy changes provided for in current law are taken into account). There are certain specified exceptions. In the case of mandatory spending, any programs in place in 1997 that have outlays of \$50 million or more a year are considered to be permanent even if they actually

expire under current law. (See Table 4–7 on pages 82–83 of CBO’s January 2002 Budget and Economic Outlook for a list of programs that the baseline assumes will continue beyond their current expiration dates.) In the case of revenues, any excise tax dedicated to a trust fund is assumed to be continued in the baseline even if it is scheduled to expire under current law. This special rule primarily affects the projections for taxes that finance the Highway Trust Fund, most of which expire on September 30, 2005.

The rules laid out in the Balanced Budget and Emergency Deficit Control Act specify the conceptual basis for baseline projections. They do not tell CBO or anyone else how to make estimates of the level of spending and revenues that will result from the policy assumptions specified in those rules. The level of spending and revenues will depend on innumerable factors, including economic growth, the rate of inflation, the number of people qualifying for entitlement programs such as Medicare, and even the weather. CBO uses its judgement in determining an economic forecast and other assumptions to be used in making its baseline projections.

The baseline used by the Budget Committee in developing the budget resolution for fiscal year 2003 is based on the projects of CBO, with a few adjustments, including taking account of legislation enacted since CBO issued its baseline, including the stimulus bill signed into law on March 9, 2002.

#### A. SPENDING BY FUNCTION

##### Function 050: NATIONAL DEFENSE

Under current law, spending for Function 050 (National Defense) will total \$347.4 billion in budget authority and \$384.0 billion in outlays for 2002. This includes spending authorized and appropriated in regular 2002 authorization and appropriations bills, in addition to the emergency anti-terror supplemental for 2002 attached to the 2002 Defense Appropriations bill. For 2003 the President has requested \$392.8 billion in budget authority and \$379.6 billion in outlays for the Department of Defense (DoD), the Atomic Energy Defense Programs of the Department of Energy (DoE), intelligence activities, and other defense-related programs at the Departments of Commerce, Transportation (including the Coast Guard), and Justice. The President’s budget places particular emphasis on the war on terrorism and defense-related homeland security efforts. The budget request includes a \$10.0 billion unallocated contingency fund in 2003 and an additional \$10.1 billion to \$12.0 billion in a Defense Emergency Response Fund (DERF) in every year of the 2003–2007 Future Years Defense Plan (FYDP).

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	393.4	401.1	411.7	422.8	434.1	445.5	457.3	469.2	481.3	493.7
Outlays .....	380.1	394.4	405.8	411.6	415.3	432.9	446.2	459.7	476.7	481.9
President’s Budget:										
Budget Authority .....	392.8	400.4	421.4	442.4	464.3	476.8	489.6	502.8	516.3	530.1
Outlays .....	379.6	392.7	411.7	426.5	440.2	462.0	477.3	492.2	510.7	517.3

*Discretionary*

The resolution provides \$392.8 billion in budget authority and \$380.2 billion in outlays for defense in 2003, and assumes increases in defense funding in succeeding years.

In particular, the resolution supports the President's request for 2003, including the \$10.0 billion unallocated contingency fund, for an increase of \$35.9 billion over the baseline (current services) level. This level of funding is \$88 billion higher than the 1998 level in constant 2003 dollars, and assumes full funding for the war on terrorism and defense-related homeland security efforts, accelerated transformation, a 4.1 percent pay raise for all military personnel, and accelerated replacement of military family housing.

The resolution also provides a \$377.7 billion increase in budget authority over baseline over 10 years. This funding level provides the President's proposed additional National Defense budget increases through the end of 2004, and increases that level at the rate of inflation throughout the remainder of the 10-year budget window.

The resolution includes a Reserve Fund for Defense which, if necessary, would allow for the President's entire defense budget request over the next 10 years. The reserve fund makes available all of the additional budget authority requested by the President in 2005–2012, should such funding be needed.

The resolution provides funding for sharpening the American military's already unmatched combat forces and trimming support and overhead. Recent testimony received by the Senate Budget Committee regarding the funding of the "Tail-to-Tooth" Commission indicated that this ratio stands today at an inefficient 70/30 proportion, and substantial savings are possible annually. Realization of such savings through long overdue organizational improvements is not only an obligation to American taxpayers, but is imperative to support a stronger, faster, more lethal military force.

The resolution accommodates \$6.7 billion for the Department of Energy's (DoE's) Environmental Management Program for 2003 as requested by the President. The resolution also recommends that an additional \$300 million be made available, consistent with the President's request, to fully fund DoE's expedited cleanup agreements with the States. The resolution recommends that DoE ensure each site in the complex be provided sufficient funding to continue cleanup at not less than last year's level.

*Mandatory*

The resolution adds \$516 million in 2003 and \$17.8 billion over 10 years to provide full concurrent receipt of DoD retirement and Veterans disability benefits to veterans who are 60–100 percent disabled as a result of military service. Phase-in of this benefit begins in 2003 and it is fully in place by 2007. The resolution supports the same policy on concurrent receipt as the budget resolution reported by the House Budget Committee on March 13, but provides funding across the entire 10 year budget window (the House resolution only covers five years).

In all other respects the resolution supports the President's mandatory request for Function 050.

### Function 150: INTERNATIONAL AFFAIRS

Under current law, total spending for Function 150 (International Affairs) will total \$23.7 billion in budget authority and \$21.9 billion in outlays for 2002. This function includes funding for International Affairs activities including: U.S. embassies and other diplomatic missions abroad; development aid and technical assistance to developing countries; security assistance to foreign governments; refugee assistance; military aid, particularly activities of the Foreign Military Sales Trust Fund; contributions to international organizations, including financial institutions; and the Export-Import Bank and other trade promotion programs.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	25.7	26.3	26.9	27.4	27.9	28.4	28.8	29.6	30.0	30.4
Outlays .....	22.0	22.8	22.8	23.1	23.6	24.2	24.4	24.9	25.3	25.8
President's Budget:										
Budget Authority .....	25.2	26.1	26.9	27.5	28.2	28.9	29.5	30.5	31.1	31.8
Outlays .....	21.6	22.1	22.4	23.0	23.7	24.4	25.0	25.7	26.3	26.9

#### *Discretionary*

The resolution assumes discretionary spending will total \$25.8 billion in budget authority and \$24.9 billion in outlays for international affairs in 2003. This represents an increase of \$1.8 billion in budget authority and \$12 million in outlays from the 2002 level. This also represents an increase of \$500 million in budget authority over the President's 2003 budget request.

The resolution assumes that funds will be directed toward bolstering U.S. international affairs investments in such areas as global health, public diplomacy, global education, multilateral debt relief, international development, refugee assistance, and embassy security.

In particular, the resolution provides \$200 million for the Global Fund for HIV/AIDS, \$100 million more than requested by the President. When contributions from Function 550 (Health) are included, the resolution provides \$500 million overall for the Global Fund, \$300 million more than the President's request.

The resolution assumes P.L. 480 Title II will be funded at no less than \$866 million, the non-emergency 2002 current services level. Further, the resolution assumes that total U.S. food aid across all budget functions in 2003 will match the 2002 level, if not exceed it. If necessary, increased resources included in the resolution for Function 150 could accommodate additional funding for P.L. 480 Title II. However, the Committee strongly urges the Administration to continue to utilize Section 416(b) authority at no less than the 2002 level for this purpose.

The resolution recognizes, in light of September 11, the need for new thinking and new approaches toward U.S. foreign assistance in order to more effectively and efficiently address the conditions which allow extremism and terrorism to take root. In particular, the resolution funds new initiatives to encourage and assist developing countries in providing education, accountable democratic governance, and economic opportunities, and to improve public diplomacy to better explain U.S. policy.

The resolution encourages the initiation of a pilot program to target foreign assistance on debt relief, development, global health, and trade towards top performing countries in Africa and other developing regions of the world. The resolution supports efforts to build upon the success of bilateral debt relief for highly indebted poor countries (HIPC) to assist those developing countries which demonstrate the most progress toward democratization, economic development, and the provision of basic human services in reaching their development goals. Additional funding for multilateral debt relief, global HIV/AIDS programs, and other development purposes is assumed in the resolution.

#### *Mandatory*

The budget resolution assumes no mandatory increases or decreases in this function.

### **Function 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY**

Under current law, total spending for Function 250 (General Science, Space and Technology) will total \$22.1 billion in budget authority and \$21.0 billion in outlays for 2002. This function includes the National Aeronautics and Space Administration (NASA) civilian space program, and basic research programs of the National Science Foundation (NSF) and the Department of Energy (DOE) Office of Science.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Budget Resolution:</b>										
Budget Authority .....	22.9	23.2	23.6	24.0	24.4	24.8	25.3	25.7	26.1	26.6
Outlays .....	22.1	22.8	23.1	23.4	23.8	24.3	24.7	25.2	25.6	26.0
<b>President's Budget:</b>										
Budget Authority .....	22.6	23.2	23.7	24.3	24.8	25.4	26.0	26.7	27.3	27.9
Outlays .....	21.8	22.5	23.1	23.7	24.2	24.8	25.4	26.0	26.6	27.2

#### *Discretionary*

The resolution assumes \$22.8 billion in discretionary budget authority and \$21.9 billion in discretionary outlays for 2003. This represents an increase of \$0.86 billion in budget authority and \$1.03 billion in outlays from the 2002 level. This also represents an increase of \$380 million in budget authority over the President's 2003 budget request.

#### *National Science Foundation (NSF)*

To provide increased support for scientific research, which is a driving force behind technological innovations that spur economic growth and improve our quality of life, the resolution assumes \$5.2 billion for NSF in 2003. This represents an increase of \$500 million above the 2002 level and is \$261 million above the President's request. The resolution does not assume cuts in programs from other budget functions in order to pay for increases in NSF funding.

The resolution assumes increased funding for NSF's research activities in such areas as the physical sciences, engineering, and the social and behavioral sciences.

The resolution also assumes increased funding for NSF education programs, which are instrumental in developing future generations of American scientists. It supports the President's increases for Math & Science Partnerships and Graduate Education, and encourages increased funding for other programs such as the Experimental Program to Stimulate Competitive Research (EPSCoR) and the Science, Technology, Engineering, and Mathematics Talent Expansion Program (STEP).

*Department of Energy Science Programs*

The resolution assumes \$3.4 billion for the DOE's science programs, an increase of \$166 million above the 2002 level. This is \$120 million above the President's request. The resolution also assumes enactment of the Energy Policy Act of 2002, which provides a net increase of \$1.3 billion in budget authority over 10 years for DOE's science programs.

*National Aeronautics and Space Administration (NASA)*

The resolution assumes the President's request of \$14.2 billion for NASA. This amount does not include NASA funds located in the Transportation budget function.

*Mandatory*

The budget resolution assumes no mandatory increases or decreases in this function.

**Function 270: ENERGY**

Under current law, spending for Function 270 (Energy) will total \$2.2 billion in budget authority and \$0.4 billion in outlays for 2002. This function includes most civilian activities of the Department of Energy, the Rural Utilities Service, power programs of the Tennessee Valley Authority, and the Nuclear Regulatory Commission. Mandatory spending in this function contains large levels of offsetting receipts, resulting in net mandatory spending of  $-\$1.1$  billion in budget authority and  $-\$2.8$  billion in outlays for 2002. Congress provided \$3.3 billion in discretionary budget authority for 2002.

(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	2.7	2.9	2.7	2.5	2.4	2.3	2.3	2.3	2.4	2.4
Outlays .....	0.8	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.1	1.2
President's Budget:										
Budget Authority .....	2.5	2.8	2.7	2.2	2.2	2.8	2.8	2.8	2.8	2.8
Outlays .....	0.7	1.0	0.9	0.9	0.9	1.2	1.3	1.5	1.6	1.7

*Discretionary*

The budget resolution assumes \$3.6 billion in budget authority and \$3.4 billion in outlays for this function in 2003. This represents an increase of \$280 million in budget authority and \$129 million in outlays from the President's request.

Over the next ten years, the budget resolution assumes an allocation of \$38.6 billion in budget authority and \$38.1 billion in outlays for programs in this function.



The budget resolution assumes enactment of the Energy Policy Act of 2002. Consistent with authorizations in the Act, it assumes \$3 billion in new budget authority over ten years in this function for energy research and development, including increases above the 2002 enacted level for energy efficiency and renewable energy.

In this function, the budget resolution accommodates the non-defense share of the \$6.7 billion requested by the administration for the Department of Energy’s Environmental Management Program. Additionally, the resolution recommends that additional funding be made available, consistent with the administration’s request, to fully fund DOE’s expedited cleanup agreements with the states.

The budget resolution rejects the President’s proposal to supplement renewable energy research and development with funds made available through the leasing of oil and gas drilling rights in the Arctic National Wildlife Refuge.

*Mandatory*

The budget resolution assumes that the Bonneville Power Administration will receive \$1.3 billion in new borrowing authority, to enable it to construct critical projects that are urgently needed to ensure the reliability of the West Coast’s transmission system, integrate new generation facilities, make federal hydroelectric generation more efficient, and increase renewable resource generation and conservation.

**Function 300: NATURAL RESOURCES AND ENVIRONMENT**

Under current law, spending for Function 300 (Natural Resources and Environment) will total \$30.0 billion in budget authority and \$28.7 billion in outlays for 2002. This function includes funding for water resources, conservation and land management, recreation resources, and pollution control and abatement. Agencies with major program activities within the function include the Environmental Protection Agency, the Army Corps of Engineers, the National Oceanic and Atmospheric Administration, the Forest Service (within the Department of Agriculture), and the Interior Department, including the National Park Service, the Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Land Management and the Bureau of Reclamation.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	33.3	34.4	35.3	36.2	35.4	36.3	37.9	38.7	39.5	40.2
Outlays .....	31.5	32.8	33.9	35.2	35.6	36.2	37.3	38.1	39.0	39.7
President’s Budget:										
Budget Authority .....	29.6	30.5	31.4	31.0	31.6	32.1	33.2	34.0	34.7	35.4
Outlays .....	29.3	30.0	30.7	31.6	31.7	31.7	32.5	33.0	33.8	34.4

*Discretionary*

The budget resolution assumes discretionary spending for natural resources and the environment will total \$30.1 billion in budget authority and \$29.4 billion in outlays for 2003. This represents an increase of \$2.5 billion in budget authority and \$1.7 billion in outlays from the President’s request.

Over the next ten years, the budget resolution assumes an allocation of \$333.8 billion in budget authority and \$326.3 billion in outlays for programs in this function to continue a strong investment in clean air, clean water, effective enforcement of our existing environmental laws, stewardship of our public lands and wildlife, and agricultural conservation.

The budget resolution rejects the \$2.4 billion in cuts below 2003 baseline levels to natural resource and environmental programs proposed by the Bush administration.

The budget resolution does not support the President's proposal to further reduce federal environmental enforcement activities at the Environmental Protection Agency. Instead, it assumes \$15 million in budget authority above the President's budget for federal enforcement personnel to help rebuild effective federal enforcement capacity. The budget resolution also assumes increased Superfund cleanup funding of \$113 million compared to the President's budget, and supports the administration's request of \$200 million for the Brownfields program.

The budget resolution assumes an increase of \$990 million in 2003 budget authority from the President's request for the Army Corps of Engineers, bringing discretionary funding to \$5 billion. It assumes at least \$888 million in budget authority for the Bureau of Reclamation to address the increasing backlog in authorized projects, and recommends increasing this funding, given the importance of the Bureau's drinking water and irrigation construction activities. It assumes full funding of the Clean Water State Revolving Fund within the Environmental Protection Agency.

The resolution assumes full funding of the Land, Conservation, Preservation and Infrastructure Improvement Program (LCPIIP) at \$1.92 billion in 2003 budget authority. It assumes \$800 million in 2003 budget authority for salmon conservation and restoration in the Columbia River Basin and in Alaska, California, Oregon and Washington, and for the purpose of meeting obligations under the Pacific Salmon Treaty (a \$164 million increase over the President's 2003 request).

The budget resolution assumes an additional \$137 million in budget authority over the President's proposal for the operations of the National Park Service in 2003, to help preserve unimpaired the natural and cultural resources and values of the national park system for this and future generations. The resolution acknowledge funding shortfalls for the operations of the National Park Service and recommends increasing this funding over the next five years. It also recommends increased 2003 funding for the National Wildlife Refuge System to support the System in its centennial year.

#### *Mandatory*

The budget resolution assumes enactment of a farm bill with agricultural conservation provisions.

The budget resolution does not assume any future receipts from the leasing of oil and gas drilling rights in the Arctic National Wildlife Refuge.

### **Function 350: AGRICULTURE**

Under current law, spending for Function 350 (Agriculture) will total \$25.3 billion in budget authority and \$24 billion in outlays for



[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total										
Budget Authority .....	6.3	5.6	6.8	7.4	7.4	7.6	7.8	7.9	8.1	8.3
Outlays .....	1.9	1.1	2.3	3.1	3.2	3.2	3.3	3.6	3.9	4.2
President's Budget										
Budget Authority .....	5.7	4.9	5.7	5.9	7.0	7.4	8.3	12.6	7.3	7.2
Outlays .....	1.6	0.5	1.4	1.7	2.6	2.9	3.6	7.1	4.2	3.6

### *Discretionary*

The budget resolution assumes discretionary spending will total \$0.5 billion in BA and \$0.2 billion in outlays in 2003. This represents an increase of \$0.5 billion in budget authority and \$0.3 billion in outlays above the President's request.

The budget resolution restores deep cuts proposed in the President's budget to programs that provide invaluable assistance to small businesses, including credit programs at the Small Business Administration (SBA) and the Manufacturing Extension Program at the Department of Commerce. The resolution also funds the fee reductions for small business borrowers authorized under Public Law 107–100. In total, the resolution provides an additional \$200 million above the President's level for small business programs at the SBA and \$98 million above the President's level for the Manufacturing Extension Program, which provides technical and other assistance to improve the competitiveness of small U.S. manufacturers.

In addition, the resolution assumes a substantial increase—\$220 million—in funding for the Securities and Exchange Commission (SEC) to ensure that it can adequately administer and enforce the nation's securities laws. First, consistent with Public Law 107–123, the resolution addresses the severe retention problem currently faced by the SEC and allows it to raise the pay of its employees to a level that is commensurate with the compensation offered by federal banking regulatory agencies. Second, in stark contrast to the President's budget, which does not provide enough funding for the SEC even to adequately maintain its 2002 level of review and enforcement activity, the budget resolution ensures the agency can hire additional employees and substantially increase its review and inspection of investor complaints and inquiries, new securities issues, and investment advisors.

Finally, the resolution includes two sense of the Senate provisions. The first expresses the sense of the Senate regarding the unsatisfactory performance of the Office of Management and Budget (OMB) and the Small Business Administration in estimating the cost of small business credit programs. Since the enactment of the Federal Credit Reform Act of 1990, the Small Business Administration and Office of Management and Budget have repeatedly overestimated the cost of the Small Business Administration's 7(a) and 504 credit programs. For the 7(a) program alone, SBA and OMB have reestimated more than \$1 billion in subsidy costs, resulting both in borrowers and lenders paying higher than necessary fees to participate in the two programs and in the needless diversion of resources from other discretionary programs. The resolution directs the administration to expeditiously complete its new model for the

7(a) program and to immediately begin work on improving its estimates of the 504 program.

The second sense of the Senate resolution concerns the lack of broadband technologies (including wireless and satellite network capabilities) in rural and underserved areas, and expresses the sense of the Senate that the Congress should encourage the deployment of such services through grant assistance to the private sector and through investments in research that address the barriers to increased availability in rural and underserved areas.

The Committee notes that the administration's budget proposes phasing in a fee during 2003 that would apply to round-turn commodities futures and options transactions. The resolution does not specifically assume enactment of this fee. The Committee acknowledges concern that such a fee could harm the competitive position of U.S. futures exchanges and encourages customers to use overseas markets at the expense of U.S. employment and government receipts.

#### *Mandatory*

The budget resolution assumes mandatory spending will total \$5.8 billion in budget authority and \$1.8 billion in outlays in 2003. The President proposes no new initiatives for mandatory spending in function 370. The budget resolution similarly includes no mandatory proposals. (Proposals regarding spectrum auctions are included and discussed under function 950.)

### **Function 400: TRANSPORTATION**

Under current law, spending for Function 400 (Transportation) will total approximately \$64.5 billion in budget authority and \$62.9 billion in outlays for 2002. The function includes funding for the Department of Transportation, including the newly-created Transportation Security Administration (TSA); ground transportation programs, such as the Federal-Aid Highway Program (FAHP), mass transit, motor carrier safety, and the National Rail Passenger Corporation (Amtrak); air transportation programs through the Federal Aviation Administration (FAA) airport improvement program, facilities and equipment program, research, and operation of the air traffic control system; water transportation through the Coast Guard and Maritime Administration; the Surface Transportation Board; the National Transportation Safety Board; and the Research and Special Programs Administration (RSPA). In addition, funds for air transportation programs under NASA are included within this function.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	65.8	65.2	67.0	68.3	69.7	71.1	72.5	74.0	75.5	77.0
Outlays .....	65.1	63.2	64.0	65.3	66.4	68.0	69.4	70.9	72.4	73.8
President's Budget:										
Budget Authority .....	63.4	58.4	64.6	65.9	67.2	68.6	70.0	71.4	72.9	74.4
Outlays .....	62.5	58.4	57.8	58.5	59.3	60.5	61.6	63.1	64.6	66.1

*Discretionary*

The budget resolution assumes discretionary spending in this function will total \$21.4 billion in budget authority and \$61.8 billion in outlays for transportation in 2003. This represents an increase of \$2.6 billion in budget authority and \$4.5 billion in outlays above the 2002 level and an increase of \$1.0 billion in budget authority and \$2.6 billion in outlays over the President's 2003 budget request. The majority of the increase above the President's budget request is due to additional funding for the FAHP, Amtrak, FAA programs, and New Start capital grants through the FTA.

The budget resolution assumes the funding of the President's request of \$4.8 billion for the newly-created Transportation Security Administration, which will coordinate and manage federal security efforts across all transportation modes and will be responsible for overseeing passenger screening and aviation security.

The budget resolution rejects the President's revised request for an \$8.6 billion cut in the Federal-Aid Highway Program (FAHP) obligation limitation compared to the 2002 enacted funding level. Instead, the budget resolution assumes a FAHP obligation limitation of \$28.9 billion in 2003—\$5.7 billion above the President's revised request. The amount provided in the budget resolution would allow states to proceed with their transportation plans and could save more than 200,000 jobs that would be lost under the President's proposal. This funding level includes sufficient sums to provide for an obligation ceiling for fiscal year 2003 that is at least at the level articulated as a funding floor in S. 1917, the Highway Funding Restoration Act, as introduced by the bipartisan leadership of the Committee on Environment and Public Works. The funding level provided in the resolution will allow for steadily increasing authorization levels while maintaining a sufficient cash balance reserve in the Highway Trust Fund throughout the period expected to be covered by the next Surface Transportation Reauthorization Bill.

In addition, the budget resolution assumes \$1.2 billion for Amtrak, a funding level \$679 million above the President's request and \$579 million above the 2002 enacted level. The resolution also assumes \$100 million in budget authority above guaranteed levels for FTA News Starts capital grants. Finally, the resolution assumes \$183 million above the President's requested level for the FAA; these additional funds could be used to meet critical construction or research needs. The budget resolution does not include the rail safety fees included in the President's budget.

*Mandatory*

The budget resolution assumes \$44.4 billion in mandatory budget authority and \$3.3 billion in outlays in 2003.

**Function 450: COMMUNITY AND REGIONAL DEVELOPMENT**

Under current law, spending for Function 450 (Community and Regional Development) will total \$18.9 billion in budget authority and \$14.6 billion in outlays for 2002. The function includes the Federal Emergency Management Agency (FEMA), the Appalachian Regional Commission (ARC), non-power programs of the Tennessee

Valley Authority (TVA), and the Economic Development Administration (EDA) within the Commerce Department. The function also includes the Community Development Block Grant (CDBG) program of the Department of Housing and Urban Development, the Bureau of Indian Affairs within the Department of the Interior, and rural economic development programs at the Department of Agriculture.

(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	15.9	15.9	16.2	16.5	16.6	16.9	17.2	17.5	17.7	18.0
Outlays .....	16.4	17.3	17.1	16.4	16.2	15.8	16.0	16.2	16.5	16.8
President's Budget:										
Budget Authority .....	15.2	15.6	15.8	16.2	16.7	17.1	17.5	18.0	18.4	18.8
Outlays .....	16.0	16.9	16.6	15.9	15.7	15.6	16.0	16.3	16.7	17.1

### *Discretionary*

The budget resolution assumes discretionary spending will total \$15.5 billion in budget authority and \$16.7 billion in outlays for community and regional development in 2003. This represents an increase of \$381 million in budget authority above the President's 2003 budget.

The budget resolution fully funds the President's request for \$3.5 billion in 2003 to support first responders. This proposal is an integral component of the President's homeland security request and will help train and equip firefighters, law enforcement officials and medical professionals. The administration, however, has not yet provided a detailed plan of how this program would be structured. Consequently, the budget resolution does not assume the elimination of existing grant programs. Rather, the budget resolution assumes continued funding for these programs until Congress changes them.

The resolution rejects the President's cuts to the Community Development Block Grant program (CDBG). The budget resolution adds \$269 million above the President's request for 2003. The CDBG program is an important tool in helping local governments tackle the most serious challenges facing their communities. The CDBG program works to ensure decent affordable housing and to provide services to the most vulnerable in our communities. In addition, the grants are used to create jobs and expand business opportunities.

The budget resolution rejects the President's cuts to the Community Development Financial Institutions (CDFI) fund. The budget resolution adds \$32 million above the President's request for 2003. The CDFI fund was created with bipartisan support to expand the availability of credit, investment capital, and financial services in distressed urban and rural communities. By stimulating the creation and expansion of diverse CDFIs and by providing incentives to traditional banks and thrifts, the Fund's investments work toward building private markets, creating healthy local tax revenues, and empowering residents. The CDFI fund provides relatively small infusions of capital to institutions that serve distressed communities and low-income individuals.

The budget resolution restores the President's elimination of funding for Round II empowerment zones and enterprise commu-

nities. The budget resolution includes \$15 million for rural communities and \$45 million for urban communities. This program, through federal grants, tax incentives, and partnerships with government, for-profit and non-profit entities, has funded the opening of new businesses and created jobs, housing, and new educational and healthcare opportunities for thousands of Americans.

The budget resolution includes \$20 million above the President's budget for Indian school construction. The Bureau of Indian Affairs (BIA) funds 185 schools that are operated directly by the Bureau, tribes, or tribal organizations. Many of these schools are in need of major renovations or replacement. The President's budget provides funding for the replacement of six schools for 2003. The budget for resolution accelerates this effort by adding funding for an additional school each year.

The budget resolution assumes the President's funding of \$300 million for the Flood Map Modernization Fund. Accurate flood maps are necessary to prevent loss of life and property and to reduce costs to the National Flood Insurance Program and disaster assistance funds. The Federal Emergency Management Agency estimates that modernization of its map inventory would help avoid an estimated \$26 billion in flood damage over a 50-year period by providing accurate data for siting new construction and retrofitting existing buildings.

#### *Mandatory*

The budget resolution includes funding for rural development programs in the farm bill.

### **Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES**

Under current law, spending for Function 500 (Education, Training, Employment and Social Services) will total \$78.2 billion in budget authority and \$70.3 billion in outlays for 2002. This function includes funding for elementary and secondary, vocational, and post-secondary education programs; job training and employment services; children and family services programs; national and community service; statistical analysis and research related to these areas; and funding for the arts and humanities.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Budget Resolution:</b>										
Budget Authority .....	85.6	92.2	95.9	99.7	103.5	106.0	107.8	109.2	110.8	112.4
Outlays .....	79.5	85.3	91.2	95.5	99.3	103.1	106.0	107.8	109.5	111.1
<b>President's Budget:</b>										
Budget Authority .....	81.0	83.0	85.0	86.9	88.8	91.0	93.2	95.1	97.4	99.7
Outlays .....	78.4	81.0	82.8	84.4	86.2	88.3	90.5	92.3	94.5	96.8

#### *Discretionary*

The budget resolution assumes discretionary spending in this function will total \$76.3 billion in budget authority and \$71.0 billion in outlays for the 2003 program level. This represents an increase of \$4.6 billion in budget authority and \$0.8 billion in outlays over the 2003 CBO baseline and \$5.6 billion in budget authority and \$1.1 billion in outlays over the 2002 program level.



The budget resolution assumes a budget authority increase of \$2.5 billion over the 2002 program level for elementary and secondary education programs in the No Child Left Behind Act. This is \$2.6 billion more than requested in the President's budget. The resolution includes \$1.35 billion to restore the President's proposed cuts and adds \$1.275 billion over the President for high priority programs, including Title I, teacher quality, after school programs, bilingual, and rural education.

The budget resolution also assumes that full funding of the Individuals with Disabilities Education Act (IDEA) Part B state grants program will be phased in over the next six years. In addition to the discretionary funds currently provided for IDEA, the resolution assumes new mandatory budget authority increases in each year of \$2.5 billion over the previous year until the full funding level (40 percent of the national average per pupil expenditure) is reached. For 2003, the President proposed a \$1.0 billion increase for IDEA.

For other education programs, the budget resolution assumes an increase of \$1.8 billion over the 2002 program level and \$1.3 billion over the President's request. It includes \$0.4 billion to restore cuts proposed by the President and provide \$0.9 billion more than the President for high priority programs, including the Pell Grant program.

If discretionary education programs and funding for IDEA are considered, the budget resolution provides a budget authority increase of \$6.8 billion over the 2002 program level. By comparison, the President's budget requested a \$1.4 billion increase.

The budget resolution includes \$0.8 billion to restore the cuts proposed by the President in the Department of Labor's job training and employment services programs, including assistance for low-income and disadvantaged youth and adults, displaced workers, and community services for older Americans. The resolution assumes these programs would be funded at their 2002 enacted levels adjusted for inflation. It also provides a \$73 million increase over 2002 for the Job Corps program as requested by the President. The resolution does not assume the President's proposal to transfer \$179 million in veterans employment and training programs to the Department of Veterans Affairs.

The budget resolution assumes an increase of \$0.7 billion over the 2002 program level for Administration of Children and Families (ACF) programs administered by the Department of Health and Human Services (HHS). This is \$0.4 billion over the President's request. For the Safe and Stable Families program, the resolution includes an increase of \$155 million as proposed by the President. The resolution also provides an increase of \$400 million for the Head Start program, \$270 million more than the President, and \$150 million to restore the President's proposals to eliminate the early learning fund and cut community services and research programs.

The budget resolution provides an increase of \$0.3 billion over 2002 for the Corporation for National and Community Service as requested by the President.

#### *Mandatory*

The budget resolution includes a new mandatory spending proposal that assumes full funding of the Individuals with Disabilities

Education Act (IDEA) Part B state grants program will be reached over the next six years. The resolution assumes annual increases in budget authority in each year of \$2.5 billion over the amount provided in the previous year until the full funding level, including both mandatory and discretionary funding, is reached in 2008. This would cost \$112 billion in budget authority and \$91 billion in outlays over ten years. The resolution assumes this new mandatory spending is in addition to the discretionary funds currently provided in appropriations bills.

The budget resolution also includes \$285 million in budget authority and \$275 million in outlays over ten years, as requested in the President's budget, to expand the current student loan forgiveness program to allow math, science, and special education teachers who teach in high-poverty schools for at least five years to have up to \$17,400—up from \$5,000—of their federal student loans forgiven.

The budget resolution does not include the President's proposal to eliminate the H-1B Skill Training Grants program in 2003 or to create a new refundable education tax credit.

### Function 550: HEALTH

Under current law, spending for Function 550 (Health) will total \$201.2 billion in budget authority and \$195.1 billion in outlays for 2002. The major programs in this function include Medicaid, the State Children's Health Insurance Program, health benefits for federal workers and retirees, the National Institutes of Health, the Food and Drug Administration, the Health Resources and Services Administration, the Centers for Disease Control and Prevention, the Substance Abuse and Mental Health Services Administration, Indian Health Services, and the Agency for Healthcare Research and Quality.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	211.5	242.2	261.7	279.4	299.6	321.0	343.7	369.3	396.4	426.4
Outlays .....	217.9	241.8	261.0	278.8	298.1	319.8	342.3	367.8	394.9	425.1
President's Budget:										
Budget Authority .....	220.7	242.8	258.0	276.6	297.2	318.6	341.3	366.8	394.5	424.9
Outlays .....	217.7	239.6	257.6	275.9	295.6	317.2	340.1	365.6	392.9	423.3

#### *Discretionary*

The budget resolution assumes discretionary health spending will total \$50.9 billion in budget authority and \$46.0 in outlays in 2003.

The budget resolution matches the President's request for the National Institutes of Health (NIH), which is a \$3.9 billion increase in budget authority and a \$4 billion increase in outlays for the agency above the 2002 level. This amount meets the target for the final installment in the plan to double the agency's budget over five years (1999–2003).

The budget resolution assumes a \$1 billion increase in budget authority and an \$825 million increase in outlays above the President's request for the Indian Health Service. This represents a 37 percent increase for the agency above the 2002 level and will be

used primarily to expand clinical services. A portion of the increase will also be used to fund contact support costs and restore the President's cuts to health facilities construction.

The budget resolution assumes an increase above the President's request of \$868 million in budget authority and \$302 million in outlays for the Health Resources and Services Administration. This represents a two percent increase in funding for the agency above the 2002 level. The increased funding will fully restore the President's cuts to such programs as Rural Health, the Community Access Program, the Universal Newborn Hearing Screening program, Children's Hospitals Graduate Medical Education, and Health Professions.

The budget resolution assumes an increase above the President's request of \$534 million in budget authority and \$126 million in outlays for the Centers for Disease Control and Prevention, which is a 2.4 percent increase in funding over the 2002 level. This funding will fully restore the President's cuts to programs including Chronic Disease Prevention, Occupational Safety and Health, Infectious Disease Control, and Public Health Improvement.

The budget resolution assumes \$300 million in budget authority and \$30 million in outlays for the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria within discretionary health funding. Another \$200 million for the Global Fund is included in Function 150, International Affairs. In total, the Fund will receive \$500 million in 2003, a \$300 million increase above the President's request and the 2002 level.

Last year, Congress provided independent children's teaching hospitals with equitable funding for graduate medical education. To assure children's future access to health care and the capacity for pediatric research, the budget resolution assumes the continuation of full, equitable funding (\$292 million) for the Children's Hospitals Graduate Medical Education program.

The Committee is concerned about current shortages and the geographic maldistribution of health professionals in the nation and recognizes that the health professions training programs administered by the Health Resources and Services Administration have been effective in addressing these challenges.

The Committee recognizes the importance of improving the nation's capability to track chronic disease, and potential contributing risk factors, including environmental exposures.

### *Mandatory*

The resolution includes a reserve fund for health that provides up to \$95 billion to expand health insurance coverage to the uninsured. (These resources are included in the reserve fund for Medicare, prescription drugs, and health care, which is described in the "Other Provisions" portion of this document.) These resources should build upon and strengthen private and public coverage and be targeted to those who need it most. Legislation that provides health insurance for the uninsured should not substantially weaken the employer-based and public health insurance systems through which the large majority of Americans obtain health insurance coverage.

Appropriate uses of these funds include, but are not limited to, funding legislation that provides States the option of allowing fami-

lies of disabled children to purchase coverage under the Medicaid program for these children (commonly referred to as the “Family Opportunity Act of 2002”); that extends and simplifies the transitional medical assistance program under title XIX of the Social Security Act (Medicaid); or that allows states to extend health insurance coverage to low-income pregnant women through public programs.

**Function 570: MEDICARE**

Medicare is a federal health insurance program that covers 40 million Americans aged 65 and older as well as younger adults who are disabled or suffer from end-stage renal disease. Medicare spending is expected to reach \$226 billion by the end of this year and is the second largest entitlement program, exceeded only by Social Security. By 2012, spending for the Medicare program will total about \$432 billion under current policies. Medicare’s share of the economy is expected to increase from 2.1 percent of GDP in 2002 to 2.5 percent in 2012, growing at an average annual rate of 6.7 percent.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	(In billions of dollars)									
Budget Resolution:										
Budget Authority .....	240.1	256.2	290.5	312.4	342.9	382.1	415.8	452.4	498.0	531.8
Outlays .....	240.0	256.5	290.4	312.2	343.2	382.0	415.5	452.7	497.8	531.5
President’s Budget:										
Budget Authority .....	238.6	251.0	270.1	295.6	322.0	346.3	372.2	399.6	432.7	459.4
Outlays .....	238.4	251.3	270.0	295.4	322.3	346.2	371.9	399.9	432.6	459.2

*Discretionary*

The budget resolution assumes that discretionary spending for Medicare administrative expenses will total \$3.7 billion in 2003, 2.8 percent above last year’s appropriation.

The resolution rejects the President’s proposal to impose a \$1.50 fee on duplicate or paper claims submitted by Medicare contractors. This proposal would unfairly penalize small providers in rural areas who cannot afford to invest in up-to-date claims processing technology.

The resolution also rejects the President’s \$4.5 billion cut in Medicare administrative expenses and, instead, allows for growth of about four percent a year. The General Accounting Office (GAO) has advised that too great a mismatch between the Medicare program’s administrative capacity and its designated mandate will leave the Centers for Medicare and Medicaid Services (CMS) unprepared to handle anticipated Medicare changes (including the addition of a pharmaceutical benefit) and future enrollment growth. Sufficient resources are particularly important to support key oversight activities—such as ensuring proper payment of claims—and to make capital investments in information systems that could help the agency and its contractors conduct the program more efficiently.

*Mandatory*

The budget resolution assumes an increase in mandatory spending of up to \$500 billion over the next ten years to provide a pre-

scription drug benefit that is voluntary, affordable, accessible to all beneficiaries, sustainable over time, and protects beneficiary access to covered health care services and providers.<sup>1</sup>

Today about 38 percent of all Medicare beneficiaries lack prescription drug coverage because the program does not include a drug benefit. This lack of coverage has made it difficult for many seniors to afford life-sustaining pharmaceuticals and this problem has been exacerbated by double digit annual increases in prescription drug prices. Those without drug coverage pay significantly more (68 percent on average) out-of-pocket for their medications than those with prescription drug coverage. Studies have shown that these seniors tend to be in poorer health, have lower incomes, and are disproportionately sicker than their insured counterparts.

Even for those with prescription drug insurance, access to coverage is not stable. Over the last decade, increasing numbers of employers have dropped retiree health coverage, supplemental insurance costs have continued to skyrocket, and Medicare+Choice plans have continued to leave the Medicare program. Including a comprehensive and affordable prescription drug benefit in the Medicare program, which is available to all 40 million Medicare beneficiaries, will help ensure *all* seniors have access to much-needed prescription drug coverage. The President included \$169 billion in his budget to provide a state-based low-income drug assistance program and to “modernize Medicare”. The House included \$350 billion for Medicare modernization and prescription drugs. These resources are inadequate to fund an affordable, comprehensive, prescription drug benefit.

### Function 600: INCOME SECURITY

Under current law, spending for Function 600 (Income Security) will total \$311.6 billion in budget authority and \$314.1 billion in outlays for 2002. This function contains: 1) major cash and in-kind means-tested entitlements; 2) general retirement, disability, and pension programs excluding Social Security and veterans’ compensation programs; 3) federal and military retirement programs; 4) unemployment compensation; 5) low-income housing programs; and 6) other low-income support programs. Function 600 is the third largest functional category after Social Security and defense. Mandatory programs account for 87 percent of total spending in this function.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget authority .....	322.7	319.2	326.5	336.6	344.0	357.8	369.6	382.7	400.7	392.3
Outlays .....	325.7	319.7	326.4	335.7	342.5	356.3	367.7	380.6	398.4	389.9
President’s Budget:										
Budget authority .....	317.0	317.5	324.6	335.1	342.7	356.2	367.9	380.6	407.7	400.4
Outlays .....	319.4	318.0	324.9	335.0	342.2	355.7	367.5	380.4	407.7	400.6

<sup>1</sup> These resources are included in the reserve fund for Medicare, prescription drugs, and health care, which is described in the “Other Provisions” section of this document. The Medicare function contains the full \$500 billion reserve, which is the allocation allowed for Medicare and prescription drugs. An additional \$95 billion is included in the Health function, and is the allocation allowed for expanded health care coverage. An adjustment which reduces the total resources allocated for these purposes to \$500 billion is included in the Allowances function.

*Discretionary*

The budget resolution assumes discretionary spending in this function will total \$45.7 billion in budget authority and \$49 billion in outlays for 2003.

The budget resolution does not accept the President's cut of over \$500 million in low-income housing assistance programs such as the Public Housing Capital and Operating funds, Native American Housing Assistance, Rural Housing and Economic Development, Housing for Special Populations, and other housing programs. The budget resolution also includes a \$205 million increase for the HOME Investment Partnerships Block Grant. The budget resolution includes the administration's assumption that \$1.1 billion in Section 8 funds will be recaptured and reapplied towards purposes of the Section 8 program.

The budget resolution increases budget authority for the Supplemental Nutrition Program for Women, Infants, and Children by \$364 million over the 2002 enacted level to support nutrition assistance for a projected 7.8 million at-risk low-income women, infants, and children per month.

The budget resolution assumes \$60 million in education and training vouchers for youth aging out of the foster care system.

The budget resolution does not accept the President's \$300 million cut for the Low Income Home Energy Assistance Program.

*Mandatory*

The budget resolution assumes reauthorization of the Child Care Development Block Grant and the Temporary Assistance for Needy Families Block Grant. In addition, the resolution includes \$23 billion over ten years to help expand and improve upon the accomplishments of welfare reform to ensure that families that have moved from welfare to work continue to move up the ladder of economic success. The resolution includes funds for food and nutrition assistance programs.

**Function 650: SOCIAL SECURITY**

Under current law, spending for Function 650 (Social Security) will total \$459.0 billion in budget authority and \$457.0 billion in outlays for 2002. This function includes old-age, survivors, and disability Social Security benefit payments and administrative expenses.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution										
On-Budget:										
Budget Authority .....	13.4	14.4	15.3	16.2	17.4	18.8	20.5	22.4	25.6	28.1
Outlays .....	13.4	14.4	15.3	16.2	17.4	18.8	20.5	22.4	25.6	28.1
Off-Budget:										
Budget Authority .....	465.0	484.7	509.4	536.0	564.8	595.8	631.0	669.4	709.4	753.8
Outlays .....	462.8	482.6	507.1	533.5	562.2	593.1	628.2	666.4	706.1	750.4
Total:										
Budget Authority .....	478.4	499.2	524.7	552.2	582.2	614.6	651.5	691.8	735.0	781.9
Outlays .....	476.3	497.0	522.4	549.8	579.6	611.9	648.7	688.8	731.8	778.5
President's Budget:										
Budget Authority .....	478.4	499.3	524.9	552.3	582.3	614.7	651.6	691.9	735.0	782.0
Outlays .....	476.3	497.1	522.5	549.9	579.7	612.0	648.7	688.8	731.8	778.5

*Discretionary*

The budget resolution assumes discretionary spending will total \$3.9 billion in budget authority and \$3.8 billion in outlays for Social Security in 2003. This represents an increase of \$0.3 billion in budget authority and \$0.3 billion in outlays from the 2002 level. The increase will allow the Social Security Administration (SSA) to improve services for Social Security beneficiaries. The President's discretionary spending request for function 650 assumes a \$166 million increase for SSA administrative expenses starting in 2004 and growing with inflation through 2012. No policy change related to this new spending was included in the President's budget submission. It is the Budget Committee's understanding that this funding was included in the President's budget request in error. It is not assumed in the budget resolution.

*Mandatory*

The budget resolution assumes no mandatory increases for decreases in the function from current policies. The budget resolution assumes mandatory spending will total \$474.5 billion in budget authority and \$472.4 billion in outlays in 2003. This represents an increase of \$19.1 billion in budget authority and \$19.0 billion in outlays from the 2002 level. The increase primarily reflects an increase in the number of individuals eligible for Social Security benefits and additional costs associated with cost-of-living adjustments.

**Function 700: VETERANS BENEFITS AND SERVICES**

Under current law, spending for Function 700 (Veterans Benefits and Services) will total \$50.5 billion in budget authority and \$49.9 billion in outlays for 2002. This budget function includes funding to meet the income security needs of disabled veterans, indigent veterans, and survivors of deceased veterans through compensation benefits, pensions and life insurance programs. Major education, training and rehabilitation and readjustment programs include the Montgomery GI Bill, the Veterans Educational Assistance program and the Vocational Rehabilitation and Counseling program. Priorities also include the maintenance of veterans cemeteries as national shrines and burial benefits for veterans and eligible family members. Roughly half of all spending in this function is for the Veterans Health Administration, which comprises hospitals, nursing homes and outpatient clinics.

(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	56.2	58.2	62.3	61.8	61.1	65.0	66.7	68.4	72.7	70.1
Outlays .....	55.3	57.8	61.8	61.3	60.6	64.7	66.3	68.0	72.4	69.7
President's Budget:										
Budget Authority .....	55.2	56.8	60.7	60.0	59.2	62.9	64.3	65.9	70.0	67.5
Outlays .....	54.7	56.5	60.3	59.6	58.7	62.6	64.0	65.5	69.6	67.0

*Discretionary*

The budget resolution assumes discretionary spending in this function will total \$26.7 billion in budget authority and \$26.1 billion in outlays for 2003. This represents an increase of \$2.8 billion

in budget authority and \$2.3 billion in outlays over the 2002 level. The budget resolution provides a \$1 billion increase in budget authority and a \$561 million increase in outlays above the President's request for discretionary funding.

The budget resolution assumes an increase of \$2.6 billion above the 2002 level for the medical care appropriation for the Department of Veterans Affairs (VA). This is an increase of \$1.2 billion above the President's request for medical care. The additional monies will provide full funding for the Veterans Health Administration to ensure access to quality health care for all veterans. The resolution rejects the President's proposal to impose a \$1,500 deductible on priority 7 veterans for medical services.

The budget resolution does not assume the transfer of programs from the Department of Labor's Veterans Employment and Training Service to the Department of Veterans Affairs for the establishment of a veterans employment and training competitive grants program.

#### *Mandatory*

The budget resolution assumes \$29.5 billion in budget authority and \$29.2 billion in outlays for veterans' mandatory spending in 2003. This is an increase of \$3 billion in budget authority and \$3.1 billion in outlays above the 2002 level. This provides for a 1.8 percent of living adjustment in 2003, which is included in the mandatory baseline.

The budget resolution assumes the President's proposal to extend to 2012 Internal Revenue Service income verification on means-tested veterans and survivors benefits.

The budget resolution assumes the additional one-year extension (from 2011 to 2012) of certain fees paid by veterans who obtain a government-guaranteed housing loan.

### **Function 750: ADMINISTRATION OF JUSTICE**

Under current law, spending for Function 750 (Administration of Justice) will total \$36.2 billion in budget authority and \$34.3 billion in outlays in 2002. This function funds the federal law enforcement activities at the Department of Justice and the Treasury Department. The law enforcement activities include criminal investigations by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Agency (DEA), as well as border enforcement and the control of illegal immigration by the Customs Service and the Immigration and Naturalization Service (INS). The function also includes civil rights enforcement and prosecution; federal block, categorical, and formula grant programs to state and local governments; prison construction and operation; the United States Attorneys; and the federal judiciary.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	38.4	37.9	36.6	37.4	38.3	39.2	40.1	41.1	42.0	43.0
Outlays .....	39.0	38.5	36.7	37.0	37.7	38.8	39.7	40.6	41.6	42.6
President's Budget:										
Budget Authority .....	37.1	40.2	37.8	38.7	39.6	40.6	41.5	42.5	43.5	44.6
Outlays .....	38.4	40.4	38.4	38.8	39.2	40.2	41.1	42.1	43.1	44.1



*Discretionary*

The budget resolution assumes discretionary spending will total \$34 billion in budget authority and \$35.4 billion in outlays for administration of justice in 2003. This represents an increase of \$1.4 billion in budget authority above the President's request for 2003.

The budget resolution fully funds the President's \$8.8 billion request for border security, including the administration's new technology initiative that will enhance security while allowing for the free flow of people and commerce across the nation's borders.

The budget resolution, however, does not accept the President's cuts to the Community Oriented Policing Services (COPS) grant program and other state and local law enforcement grants. State and local governments are struggling to meet increased security needs at the same time they face unprecedented strains on their budgets. The federal government should not add to their burden by withdrawing critical law enforcement support.

Overall, the budget resolution increases funding by \$1.4 billion above the President's request for COPS and other state and local law enforcement assistance. This funding will protect the COPS in schools grants, the universal hiring program, and law enforcement technology grants. In addition to the COPS program, the budget resolution restores funding to the Byrne Grant program, the State Criminal Alien Assistance program, and the local law enforcement block grant program.

The President's budget includes an obligation limitation for expenditures from the Crime Victims Fund for 2003. This limitation ensures that a stable level of funding will remain for these programs. The budget resolution carries this limitation forward in all years.

*Mandatory*

The budget resolution assumes that Customs user fees will be extended. This fee offsets \$14.9 billion in spending over the period 2004–2012.

**Function 800: GENERAL GOVERNMENT**

Spending on General Government agencies and programs is expected to total \$17.2 billion in budget authority and \$16.6 billion in outlays in 2002. Function 800 funds the government's legislative, executive, financial, and management activities. As such, it includes the Legislative Branch, the Executive Office of the President, the Department of the Treasury (including the Internal Revenue Service), the Office of Personnel Management, and the General Services Administration. It also includes payments to the District of Columbia and U.S. territories and the sharing of natural resources receipts with state and local governments. About 90 percent of all spending in function 800 is discretionary, with the Internal Revenue Service accounting for more than 60 percent of that total.

(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	16.7	16.5	16.7	17.0	17.3	17.2	17.5	17.8	18.1	18.5
Outlays .....	16.6	16.8	16.7	16.8	17.0	17.0	17.1	17.4	17.7	18.2

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
President's Budget:										
Budget Authority .....	17.2	18.4	17.4	18.1	18.2	18.2	18.6	19.1	19.5	20.0
Outlays .....	16.9	18.5	17.3	17.9	17.9	17.9	18.2	18.6	19.0	19.7

### *Discretionary*

The budget resolution assumes discretionary spending will total \$15.1 billion in budget authority and outlays in 2003. This represents a decrease of \$0.5 billion in budget authority and \$0.3 billion in outlays from the President's request. Over the 2003–2007 period, the resolution provides \$77.8 billion in budget authority for discretionary programs.

Much of the savings from baseline occurs from dropping emergency spending and other one-time items, such as funding provided to the District of Columbia for emergency planning, and the payment to the District of Columbia Corrections Trustee, which will complete its work in 2002. Additionally, the budget resolution assumes budget authority at the level provided in 2002 for many of the remaining discretionary programs. The resolution, however, assumes full funding of the President's proposal to improve homeland security. Additionally, it restores the President's proposed cut of more than 20 percent for payments to state and local governments in lieu of taxes. It also assumes the President's proposal to increase funding by one-half—\$52 million—in 2003 for the Office of the Special Trustee for American Indians. That amount will help the Department of the Interior better comply with the U.S. District Court order in *Cobell v. Norton* to account for the funds held in trust by the U.S. government on behalf of individual Native Americans. The resolution also proposes an additional \$8 million in 2003 for the Department of the Treasury to develop and implement a program to provide financial services, such as access to ATMs, to low- and moderate-income individuals.

Finally, the resolution includes a sense of the Senate resolution that there should continue to be parity in the annual adjustment in compensation of the members of the uniformed services and civilian employees, as there has been in almost every year during the past two decades.

### *Mandatory*

The budget resolution assumes mandatory spending will total \$1.5 billion in budget authority and outlays in 2003. Mandatory programs funded within this function include payments of claims and judgments against the federal government, the Presidential Election Campaign Fund, payments to U.S. territories and states freely associated with the U.S., the sharing of certain natural resources receipts with state and local governments, and Members' salaries and related administrative expenses. The President's budget proposes to increase mandatory spending by \$1.6 billion over the 2003–2012 period. Virtually all of that increase results from the President's proposal to share one-half of the receipts (included in function 950 in the President's budget) from drilling in the Arctic National Wildlife Refuge with the state of Alaska (\$1.25 billion of

that increase occurs in 2004 under the President's budget). That proposal is not included in the budget resolution.

**Function 900: NET INTEREST**

Function 900 (Net Interest) totaled \$168 billion in budget authority and outlays in 2002. Net interest is a mandatory payment; there are no discretionary programs in Function 900. Net interest includes interest on the public debt after deducting the interest income received by the federal government. Interest on the public debt, or gross interest, is the cost of financing the entire public debt of the U.S. government, including debt held in the Social Security trust funds and other government accounts.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Budget Resolution</b>										
<b>On-Budget:</b>										
Budget Authority .....	259.1	286.7	302.3	312.9	322.3	331.3	339.9	347.3	354.1	354.8
Outlays .....	259.1	286.7	302.3	312.9	322.3	331.3	339.9	347.3	354.1	354.8
<b>Off-Budget:</b>										
Budget Authority .....	-84.3	-93.0	-104.0	-116.2	-129.4	-143.4	-158.3	-174.2	-191.0	-208.7
Outlays .....	-84.3	-93.0	-104.0	-116.2	-129.4	-143.4	-158.3	-174.2	-191.0	-208.7
<b>Total</b>										
Budget Authority .....	174.8	193.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
Outlays .....	174.8	194.7	198.3	196.7	193.0	187.9	181.5	173.1	163.1	146.1
<b>President's Budget</b>										
Budget Authority .....	179.9	199.0	201.6	199.9	197.4	194.9	189.4	181.8	174.3	165.6
Outlays .....	179.9	199.0	201.6	199.9	197.4	194.9	189.4	181.8	174.3	165.6

### Function 920: ALLOWANCES

Function 920 (Allowances) displays the budgetary effects of proposals that cannot be easily distributed across other budget functions because the precise effects are uncertain, the proposals are not clearly specified, or they affect multiple functions. Examples include contingent reserves, such as the President's proposal last year to create a National Emergency Reserve; the President's proposal this year for an unspecified economic stimulus plan; and across-the-board agency cuts. Once enacted, the Office of Management and Budget allocates the effects across specific budget functions. To prevent a point of order, last year's resolution included a negative adjustment in 920 equal to the difference between the discretionary totals assumed in that resolution and the lower cap on discretionary spending set in law at that time for 2002.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Budget Authority .....	-5.4	-12.1	-14.6	-14.9	-15.1	-15.8	-16.3	-17.1	-17.6	-18.1
Outlays .....	-1.2	-10.3	-13.9	-14.7	-15.0	-15.7	-16.2	-17.0	-17.5	-18.0
President's Budget:										
Budget Authority .....	8.0	2.9	1.4	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Outlays .....	8.0	1.5	0.1	0.2	0.3	0.3	0.4	0.4	0.3	0.3

#### *Discretionary*

The budget resolution assumes rescissions of discretionary spending in 2003 of just over \$4 billion—an amount that is well below the recent annual average of more than \$5 billion. The resolution rejects the President's proposal to change the accruals of future retirement and health benefits for current federal employees.

#### *Mandatory*

This function includes an adjustment to the health reserve fund. The adjustment is needed because spending on Medicare and prescription drugs, which is included in Function 570 (Medicare), is capped at \$500 billion, while spending on expanded health coverage, which is included in Function 550 (Health), is capped at \$95 billion. Since total spending from the fund cannot exceed \$500 billion, and adjustment to bring the total increase in spending for those purposes to that amount is included in the Allowances function.

### Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

Undistributed offsetting receipts will total \$46.4 billion (negative budget authority and outlays) in 2002. Most offsetting receipts, which are derived from business-type activities that distinguish them from taxes and other compulsory revenues, are recorded as offsets to other budget functions. Function 950, however, displays several particularly large sources of offsetting receipts that, if distributed, would distort the other functional totals. Examples of undistributed receipts include: the payment federal agencies make to the retirement trust funds on behalf of their employees, payments made by companies for the right to explore and produce oil and gas on the outer continental shelf, and payments by those who bid for

the right to buy or use public goods and assets, such as the electromagnetic spectrum. The receipts in function 950 are all mandatory.

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Budget Resolution</b>										
<b>On-Budget:</b>										
Budget Authority .....	-44.5	-58.2	-61.4	-54.3	-54.4	-56.6	-58.4	-60.7	-63.1	-65.5
Outlays .....	-44.5	-58.2	-61.4	-54.3	-54.4	-56.6	-58.4	-60.7	-63.1	-65.5
<b>Off-Budget:</b>										
Budget Authority .....	-9.6	-10.3	-11.1	-11.8	-12.5	-13.4	-14.2	-15.2	-16.3	-17.0
Outlays .....	-9.6	-10.3	-11.1	-11.8	-12.5	-13.4	-14.2	-15.2	-16.3	-17.0
<b>Total</b>										
Budget Authority .....	-54.0	-68.5	-72.4	-66.1	-66.9	-69.9	-72.6	-75.9	-79.4	-82.6
Outlays .....	-54.0	-68.5	-72.4	-66.1	-66.9	-69.9	-72.6	-75.9	-79.4	-82.6
<b>President's Budget</b>										
Budget Authority .....	-53.9	-70.6	-71.8	-66.0	-66.6	-69.0	-71.5	-74.7	-78.0	-81.2
Outlays .....	-53.9	-70.6	-71.8	-66.0	-66.6	-69.0	-71.5	-74.7	-78.0	-81.2

The budget resolution assumes the reauthorization of the Federal Communications Commission's authority to publicly auction the nation's electromagnetic spectrum. Extending that authority, which expires at the end of 2007, will increase offsetting receipts by about \$3.0 billion over the 2008–2012 period. The authority, which was first provided under the Omnibus Budget Reconciliation Act of 1993, has successfully and fairly allocated this limited public resource, as well as deposited more than \$14 billion in receipts at the U.S. Treasury. In addition, the resolution assumes the President's proposal to delay two auctions of spectrum currently assigned to television channels 60–69 and 52–59. Delaying the two auctions is estimated to increase receipts to the federal government by almost \$1 billion over the 2003–2007 period. Finally, the resolution neither includes the President's proposal to assess an analog spectrum leasing fee on television broadcasters nor does it include his proposal to compensate agencies for relocated within the spectrum.

#### B. REVENUES

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

This year, total revenues are projected to equal 19.3 percent of GDP. Under current law, revenues will average between 19.1 percent and 19.2 percent of GDP through 2010, the period during which the 2001 tax cut is effective. After the sunset of the 2001 tax cut, projected revenues as a percentage of GDP increase of the years 2011 and 2012.

The budget resolution assumes no tax increases and no delays in tax reductions scheduled under current law. The budget resolution assumes the following tax legislative initiatives:

- Energy security legislation is expected to contain tax incentives to promote the production of energy from domestic sources, to reduce consumption of energy, and to encourage cleaner production of energy. The budget resolution assumes that the cost of these energy-related tax incentives will be offset.
- Legislation is expected to be considered in the Finance Committee to provide new incentives for taxpayers to support charitable organizations and for low-income individuals to save. The budget resolution assumes that the cost of these charitable and savings incentives will be offset.
- One possible offset includes legislation that will address abusive tax shelters, as well as provide meaningful penalty relief and reform for individual and corporate taxpayers. The budget resolution assumes that the Finance Committee will act to shut down tax shelters, such as those which may have been abused by Enron and possibly other corporate taxpayers. The budget resolution also assumes, in the wake of the Enron bankruptcy, legislation to provide stronger protection for employee pensions and other tax-favored retirement savings vehicles.
- Additional savings can be realized as a result of legislation to implement the President's budget recommendations for improving



tax administration. The budget resolution assumes that the Finance Committee will act on the Bush administration's proposal to modify the IRS Restructuring and Reform Act's employee infractions subject to mandatory termination and permit a broader range of available penalties. The budget resolution further assumes that the Finance Committee will permit the IRS to increase revenue collections by entering into installment agreements with taxpayers that do not guarantee full payment of liability over the life of the agreement.

The President's budget proposed to eliminate the December 31, 2010 sunset contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which, according to an analysis by the Congressional Budget Office, would reduce revenues by \$374.4 billion over 2003–2012. Extending EGTRRA's provisions that sunset prior to 2010 would reduce revenues by an additional \$241.4 billion over the same period. Extending the EGTRRA tax cuts would reduce revenues by approximately \$4 trillion in the decade after 2011. The budget resolution assumes that the cost of any change in EGTRRA sunset dates would be paid for.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution										
On-Budget revenues .....	1501	1606	1736	1832	1924	2030	2144	2254	2483	2712
Off-Budget revenues .....	545	574	602	631	661	692	727	764	802	842
Total Revenues .....	2046	2180	2338	2463	2585	2723	2871	3018	3285	3554
President's Budget										
On-Budget revenues .....	1467	1576	1712	1811	1899	2003	2115	2224	2340	2465
Off-Budget revenues .....	545	574	602	631	661	693	727	764	803	842
Total Revenues .....	2013	2150	2314	2442	2560	2695	2842	2988	3143	3307

### C. DEBT LEVELS

The government's debt situation has deteriorated dramatically over the last year. A year ago, the President's budget estimated that \$2 trillion would be available to lower the government's debt under the President's policies. Now it estimates over 10 years just \$0.5 trillion will be available. As a result of the change in outstanding debt, CBO estimates that the government will spend nearly \$1.0 trillion more on interest payments in 2002 through 2011 than it estimated a year ago.

Similarly, the President's budget also projected last year that the \$5.95 trillion ceiling on statutory debt would not be reached under the President's policies until 2008. In August 2001, the administration revised that projection to 2004. In December 2001, it revised it downward yet again to as early as February 2002 and requested that the Congress expeditiously increase the ceiling by \$750 billion to \$6.7 trillion—an amount that would be the second-largest, one-time increase ever in the debt ceiling.

The budget resolution puts the budget back on a path of fiscal discipline. As a result, under the budget resolution (and assuming defense reserve funds are available to protect Social Security and pay down the debt), debt held by the public would be more than \$500 billion lower in 2012 than it would be under the President's

budget. In total, under the Chairman's plan, debt held by the public declines by more than \$1.0 trillion over the 2003–2012 period.

(In billions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Budget Resolution:										
Debt Held By Public .....	3,517	3,558	3,548	3,503	3,428	3,339	3,218	3,072	2,807	2,362
President's Budget:										
Debt Held By Public .....	3,587	3,650	3,641	3,608	3,552	3,479	3,370	3,238	3,096	2,885

#### D. TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. Tax expenditures are defined by the Act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to corporate and individual income taxes. The estimates presented here are those of the Joint Committee on Taxation and are based on the committee's most recent report of January 17, 2002 (Estimates of Federal Tax Expenditures for Fiscal Years 2002–2006) (JCS–1–02). Because of the interaction among provisions, the Joint Committee on Taxation warns that it is incorrect to assume that estimates of separate tax expenditures can be summed to calculate a total revenue effect of a repeal of a group of tax expenditures. The tax expenditures in the following list are estimated separately, under the assumption that all other tax expenditures remain in the code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately.

Tables follow:

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2002–2006

[In billions of dollars]

Function	Corporations					Individuals					Total 2002–06
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
<b>National Defense:</b>											
Exclusion of benefits and allowances to Armed Forces personnel .....						2.3	2.3	2.4	2.4	2.4	11.8
Exclusion of military disability benefits .....						0.1	0.1	0.1	0.1	0.1	0.5
<b>International Affairs:</b>											
Exclusion of income earned abroad by U.S. citizens .....						2.8	3.0	3.2	3.4	3.6	16.0
Exclusion of certain allowances for Federal employees abroad .....						0.3	0.4	0.4	0.4	0.5	2.0
Exclusion of extraterritorial income .....	4.8	5.2	5.6	6.0	6.5						28.1
Deferral of active income of controlled foreign corporations .....	4.2	4.4	4.7	5.0	5.3						23.6
Inventory property sales source rule exception .....	4.8	5.2	5.6	6.0	6.4						28.0
Deferral of certain financing income .....	0.6	0.2									0.8
<b>General Science, Space, and Technology:</b>											
Tax credit for qualified research expenditures .....	5.0	5.4	4.7	2.8	1.5	(1)	(1)	(1)	(1)	(1)	19.4
Expensing of research and experimental expenditures .....	4.5	4.7	4.7	4.8	5.0	(1)	(1)	(1)	(1)	(1)	23.7
<b>Energy:</b>											
Expensing of exploration and development costs:											
Oil and gas .....	1.6	1.2	0.7	0.3	0.6	(1)	(1)	(1)	(1)	(1)	4.4
Other fuels .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Excess of percentage over cost depletion:											
Oil and gas .....	0.5	0.4	0.4	0.4	0.4	(1)	(1)	(1)	(1)	(1)	2.2
Other fuels .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Tax credit for enhanced oil recovery costs .....	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.4
Tax credit for production of non-conventional fuels .....	1.3	0.8	0.5	0.5	0.5	0.3	0.2	0.1	0.1	0.1	4.5
Tax credit for alcohol fuels <sup>2</sup> .....	(1)	(1)	(1)	(1)	(1)						(1)
Exclusion of interest on State and local government industrial development bonds for energy production facilities .....	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of energy conservation subsidies provided by public utilities .....						(1)	(1)	(1)	(1)	(1)	0.1
Tax credit for investments in solar and geothermal energy facilities .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Tax credit for electricity production from wind, closed-loop biomass, and poultry waste .....	(1)	(1)	(1)	(1)	0.1	(1)	(1)	(1)	(1)	(1)	0.3
<b>Natural Resources and Environment:</b>											
Expensing of exploration and development costs, nonfuel minerals .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals .....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7
Expensing of multiperiod timber-growing costs .....	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	0.9

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2002–2006—Continued

[In billions of dollars]

Function	Corporations					Individuals					Total 2002–06
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds .....	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.4	2.9
Special rules for mining reclamation reserves .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special tax rate for nuclear decommissioning reserve fund .....	0.2	0.2	0.3	0.3	0.3	.....	.....	.....	.....	.....	1.3
Exclusion of contributions in aid of construction for water and sewer utilities .....	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	0.1
<b>Agriculture:</b>											
Expensing of soil and water conservation expenditures .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of fertilizer and soil conditioner costs .....	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.3
Expensing of the costs of raising dairy and breeding cattle .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cost-sharing payments .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers .....	.....	.....	.....	.....	.....	0.1	(1)	(1)	(1)	(1)	0.2
Cash accounting for agriculture .....	(1)	(1)	(1)	(1)	(1)	0.5	0.3	0.3	0.3	0.3	1.7
Income averaging for farmers .....	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Five-year carryback period for net operating losses attributable to farming .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
<b>Commerce and Housing:</b>											
<b>Financial institutions:</b>											
Exemption of credit union income .....	0.9	0.9	0.9	1.0	1.0	.....	.....	.....	.....	.....	4.7
<b>Insurance companies:</b>											
Exclusion of investment income on life insurance and annuity contracts .....	1.3	1.4	1.4	1.5	1.5	23.6	24.2	24.9	25.5	26.2	131.6
Small life insurance company taxable income adjustment .....	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.7
Special treatment of life insurance company reserves .....	1.2	1.3	1.3	1.4	1.4	.....	.....	.....	.....	.....	6.6
Deduction of unpaid loss reserves for property and casualty insurance companies .....	2.9	3.0	3.0	3.1	3.2	.....	.....	.....	.....	.....	15.2
Special deduction for Blue Cross and Blue Shield companies .....	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
<b>Housing:</b>											
Deduction for mortgage interest on owner-occupied residences .....	.....	.....	.....	.....	.....	66.5	69.8	72.1	76.5	80.5	365.5
Deduction for property taxes on owner-occupied residences .....	.....	.....	.....	.....	.....	21.4	22.1	21.4	18.8	15.5	99.2
Exclusion of capital gains on sales of principal residences .....	.....	.....	.....	.....	.....	13.8	13.8	13.9	14.0	14.1	69.6
Exclusion of interest on State and local government bonds for owner-occupied housing .....	0.3	0.3	0.3	0.3	0.3	0.7	0.8	0.8	0.8	0.8	5.3
Exclusion of interest on State and local government bonds for rental housing .....	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	1.0
Depreciation of rental housing in excess of alternative depreciation system .....	0.3	0.3	0.3	0.3	0.3	2.5	2.7	2.8	3.1	3.4	16.0
Tax credit for low-income housing .....	2.7	2.9	3.0	3.2	3.3	1.2	1.2	1.3	1.4	1.4	21.6
Tax credit for first-time homebuyers in the District of Columbia .....	.....	.....	.....	.....	.....	(1)	(1)	(1)	.....	.....	0.1
Tax credit for rehabilitation of historic structures .....	0.4	0.4	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	2.5

Other business and commerce:											
Reduced rates of tax on long-term capital gains .....						65.1	57.4	56.8	53.8	53.3	286.4
Exclusion of capital gains at death .....						37.3	40.1	43.1	46.3	49.8	216.6
Carryover basis of capital gains on gifts .....						4.2	4.4	4.6	4.8	5.1	23.1
Deferral of gain on non-dealer installment sales .....	0.6	0.6	0.6	0.7	0.7	0.4	0.4	0.4	0.4	0.4	5.2
Deferral of gain on like-kind exchanges .....	1.3	1.4	1.4	1.5	1.5	0.4	0.5	0.5	0.5	0.5	9.5
Deferral of gain on involuntary conversions resulting from Presidentially-declared disasters .....						(1)	(1)	(1)	(1)	(1)	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system .....	1.2	1.2	1.1	0.9	0.9	0.5	0.5	0.4	0.4	0.3	7.4
Depreciation of equipment in excess of alternative depreciation system .....	28.0	31.0	32.8	33.9	34.5	7.5	8.4	8.8	9.0	9.1	203.0
Expensing of depreciable business property .....	0.3	0.3	0.2	0.2	0.1	1.3	1.3	0.9	0.6	0.4	5.6
Amortization of business startup costs .....	(1)	(1)	(1)	(1)	(1)	0.5	0.5	0.5	0.5	0.6	2.6
Reduced rates on first \$10,000,000 of corporate taxable income .....	4.7	4.7	4.8	4.9	5.0						24.1
Permanent exemption from imputed interest rules .....	(1)	(1)	(1)	(1)	(1)	0.2	0.3	0.3	0.3	0.3	1.4
Expensing of magazine circulation expenditures .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Completed contract rules .....	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.2
Cash accounting, other than agriculture .....	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of interest on State and local government small-issue industrial development bonds .....	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	1.9
Exception from net operating loss limitations for corporations in bankruptcy proceedings .....	0.5	0.5	0.5	0.5	0.5						2.5
Tax credit for employer-paid FICA taxes on tips .....	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	2.0
Ordinary income treatment of losses from sales of small business corporation stock .....						(1)	(1)	(1)	(1)	(1)	0.2
Transportation:											
Deferral of tax on capital construction funds for shipping companies .....	0.1	0.1	0.1	0.1	0.1						0.5
Exclusion of employer-paid transportation benefits .....						3.7	3.7	3.8	3.8	3.9	18.9
Exclusion of interest on State and local government bonds for high-speed rail .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.5
Community and Regional Development:											
Empowerment zone tax incentives .....	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	3.3
Renewal community tax incentives .....	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.4	0.4	0.4	2.7
New markets tax credit .....	(1)	(1)	0.1	0.2	0.2	(1)	0.1	0.1	0.2	0.3	1.3
District of Columbia tax incentives .....	(1)	(1)	0.1	0.1	0.1	(1)	0.1	0.1	0.1	0.1	0.6
Indian reservation tax incentives .....	0.2	0.2	0.1	(3)	-0.1	0.1	0.1	0.1	(3)	-0.1	0.7
Expensing of environmental remediation costs ("Brownfields") .....	0.1	0.1	(1)	(3)	(3)	0.1	0.1	0.1	(3)	(3)	0.5
Tax credit for rehabilitation of structures, other than historic structures .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities .....	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.6
Education, Training, Employment, and Social Services:											
Education and training:											
Tax credits for tuition for post-secondary education .....						4.3	4.3	4.3	4.3	4.3	21.5

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2002–2006—Continued

[In billions of dollars]

Function	Corporations					Individuals					Total 2002–06
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
Deduction for interest on student loans .....						0.6	0.6	0.7	0.8	0.8	3.5
Deduction for higher education expenses .....						1.5	2.1	3.7	2.9	0.1	10.3
Exclusion of earnings of trust accounts for education ("Coverdell accounts") .....						0.3	0.4	0.5	0.6	0.7	2.5
Exclusion of interest on educational savings bonds .....						( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	0.1
Exclusion of earnings of qualified tuition programs .....						0.1	0.2	0.2	0.3	0.3	1.1
Exclusion of scholarship and fellowship income .....						1.3	1.4	1.5	1.5	1.6	7.3
Exclusion of employer-provided education assistance benefits .....						0.5	0.7	0.8	0.8	0.9	3.7
Parental personal exemption for students age 19 to 23 .....						1.0	1.0	0.9	0.4	0.1	3.4
Exclusion of interest on State and local government student loan bonds .....	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	1.7
Exclusion of interest on State and local government bonds for private nonprofit educational facilities .....	0.2	0.2	0.2	0.3	0.3	0.6	0.6	0.6	0.6	0.7	4.4
Tax credit for holders of qualified zone academy bonds .....	( <sup>1</sup> )	( <sup>1</sup> )	0.1	0.1	0.1						0.3
Deduction for charitable contributions to educational institutions .....	1.0	1.1	1.2	1.3	1.4	5.5	6.1	6.4	6.6	6.5	37.1
Employment:											
Exclusion of employee meals and lodging (other than military) .....						0.8	0.9	0.9	0.9	0.9	4.4
Exclusion of benefits provided under cafeteria plans <sup>4</sup> .....						11.4	12.7	13.7	14.8	15.6	68.2
Exclusion of housing allowances for ministers .....						0.4	0.4	0.5	0.5	0.5	2.3
Exclusion of miscellaneous fringe benefits .....						5.7	6.0	6.2	6.4	6.7	31.0
Exclusion of employee awards .....						0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of income earned by voluntary employees' beneficiary associations .....						1.6	1.7	1.7	1.8	1.9	8.7
Special tax provisions for employee stock ownership plans (ESOPs) .....	0.8	0.9	0.9	0.9	0.9	0.2	0.2	0.3	0.3	0.3	5.7
Work opportunity tax credit .....	0.3	0.1	0.1	( <sup>1</sup> )	( <sup>1</sup> )	0.1	( <sup>1</sup> )	( <sup>1</sup> )			0.6
Welfare-to-work tax credit .....	0.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )			0.2
Exclusion of spread on acquisition of stock under incentive stock option plans and employee stock purchase plans .....						0.5	0.6	0.8	0.9	1.0	3.8
Social services:											
Tax credit for children under age 17 <sup>5</sup> .....						26.9	26.9	26.8	30.2	31.5	142.3
Tax credit for child and dependent care expenses .....						3.1	3.1	3.0	2.5	2.0	13.8
Exclusion of employer-provided child care <sup>6</sup> .....						0.6	0.8	0.8	0.9	0.9	4.0
Tax credit for employer-provided child care .....	( <sup>1</sup> )	0.1	0.1	0.1	0.1	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	0.6
Exclusion of certain foster care payments .....						0.5	0.5	0.6	0.6	0.6	2.8
Adoption credit and employee adoption benefits exclusion .....						0.2	0.2	0.3	0.3	0.3	1.3
Deduction for charitable contributions, other than for education and health .....	1.7	1.9	2.1	2.2	2.4	30.0	32.9	34.8	35.8	35.1	178.9

Tax credit for disabled access expenditures .....	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.4
Health:											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums <sup>7</sup> .....						69.1	75.1	80.0	86.5	93.3	404.1
Exclusion of medical care and CHAMPUS/TRICARE medical insurance for military dependents, retirees, and retiree dependents .....						1.4	1.5	1.5	1.5	1.5	7.4
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed .....						1.6	2.4	2.8	2.9	3.1	12.8
Deduction for medical expenses and long-term care expenses .....						5.6	6.0	6.4	6.8	7.2	32.0
Exclusion of workers' compensation benefits (medical benefits) .....						3.5	3.7	3.8	3.9	4.0	18.9
Archer medical savings accounts .....						(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities .....	0.4	0.4	0.4	0.4	0.4	1.0	1.0	1.0	1.0	1.1	7.2
Deduction for charitable contributions to health organizations .....	1.0	1.0	1.1	1.2	1.3	3.8	4.2	4.4	4.5	4.5	27.0
Tax credit for orphan drug clinical testing .....	0.1	0.1	0.1	0.1	0.1						0.7
Medicare:											
Exclusion of untaxed Medicare benefits:											
Hospital insurance .....						16.9	18.0	19.5	21.0	22.6	98.0
Supplementary medical insurance .....						9.8	11.1	11.9	12.7	13.7	59.2
Income Security:											
Exclusion of workers' compensation benefits (disability and survivors payments) .....						5.4	5.6	5.8	6.1	6.4	29.3
Exclusion of damages on account of personal physical injuries or physical sickness .....						1.4	1.4	1.4	1.4	1.4	7.0
Exclusion of special benefits for disabled coal miners .....						0.1	0.1	0.1	0.1	0.1	0.3
Exclusion of cash public assistance benefits .....						0.7	0.7	0.7	0.7	0.8	3.6
Net exclusion of pension contributions and earnings:											
Employer plans .....						87.9	87.7	86.7	89.1	93.5	445.0
Individual retirement plans .....						14.0	14.2	15.4	16.8	18.1	78.5
Keogh plans .....						5.6	5.7	5.8	6.0	6.3	29.3
Tax credit for certain individuals for elective deferrals and IRA contributions .....						1.3	1.9	1.7	1.6	1.5	8.0
Tax credit for new retirement plan expenses of small businesses .....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of other employee benefits:											
Premiums on group term life insurance .....						2.3	2.4	2.5	2.6	2.7	12.5
Premiums on accident and disability insurance .....						2.3	2.4	2.6	2.7	2.8	12.8
Additional standard deduction for the blind and the elderly .....						2.0	2.1	2.2	2.3	2.3	10.8
Tax credit for the elderly and disabled .....						(1)	(1)	(1)	(1)	(1)	0.1
Deduction for casualty and theft losses .....						0.2	0.2	0.2	0.2	0.2	1.1
Earned income credit (EIC) <sup>5</sup> .....						33.7	35.0	35.7	36.2	37.0	177.6
Social Security and Railroad Retirement:											
Exclusion of untaxed social security and railroad retirement benefits .....						22.6	23.5	24.3	25.0	25.7	121.1

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2002–2006—Continued  
 [In billions of dollars]

Function	Corporations					Individuals					Total 2002–06
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
Veterans' Benefits and Services:											
Exclusion of veterans' disability compensation .....						2.3	2.4	2.4	2.5	2.6	12.1
Exclusion of veterans' pensions .....						0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of veterans' readjustment benefits .....						0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of interest on State and local government bonds for veterans' housing .....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	0.2
General Purpose Fiscal Assistance:											
Exclusion of interest on public purpose State and local government debt .....	6.1	6.2	6.2	6.3	6.4	15.7	15.8	16.0	16.3	16.5	112.0
Deduction of nonbusiness State and local government income and personal property taxes .....						44.9	46.3	45.3	41.5	34.7	212.7
Tax credit for Puerto Rico and possession income, and Puerto Rico economic activity .....	2.6	2.2	2.0	1.8	0.5						9.1
Interest:											
Deferral of interest on savings bonds .....						1.6	1.6	1.6	1.6	1.6	8.0

<sup>1</sup> Positive tax expenditure of less than \$50 million.

<sup>2</sup> In addition, the exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of \$0.7 billion per year in fiscal years 2002 through 2006.

<sup>3</sup> Negative tax expenditure of less than \$50 million.

<sup>4</sup> Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.

<sup>5</sup> The amount of refundable child tax credit and earned income tax credit used to offset taxes other than income tax or paid out as refunds is: \$38.5 billion in 2002, \$39.5 billion in 2003, \$40.2 billion in 2004, \$40.5 in 2005, and \$43.4 billion in 2006.

<sup>6</sup> Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

<sup>7</sup> Estimate includes employer-provided health insurance purchased through cafeteria plans.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.



V. SUMMARY TABLES

Senate Committee-Reported Budget Resolution for FY 2003 -- Totals by Function

\$ billions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>On-budget</b>										
Budget authority	1,788,940	1,851,626	1,947,779	2,031,257	2,116,783	2,219,009	2,315,089	2,416,349	2,536,918	2,608,207
Outlays	1,768,689	1,828,825	1,920,906	1,997,300	2,074,582	2,184,029	2,290,721	2,394,277	2,509,649	2,574,710
Revenues	1,500,834	1,608,274	1,735,686	1,832,375	1,924,256	2,030,982	2,143,982	2,254,498	2,482,760	2,712,387
Surplus	-267,865	-220,551	-185,220	-164,825	-150,326	-153,666	-136,739	-129,779	-26,889	137,677
Total surplus	-82,174	-26,516	25,573	60,436	90,166	102,316	134,266	157,362	276,897	455,274
<b>050 National Defense</b>										
Budget Authority	393,353	401,073	411,744	422,785	434,118	445,471	457,340	469,247	481,263	493,723
Outlays	380,145	394,364	405,833	411,587	415,278	432,871	446,216	459,683	476,730	481,935
<b>150 International Affairs</b>										
Budget Authority	25,688	26,324	26,885	27,352	27,892	28,372	28,819	29,597	29,983	30,408
Outlays	21,964	22,838	22,809	23,125	23,637	24,163	24,435	24,906	25,346	25,826
<b>250 General Science, Space and Technology</b>										
Budget Authority	22,942	23,213	23,604	24,000	24,417	24,834	25,270	25,705	26,134	26,584
Outlays	22,060	22,768	23,098	23,440	23,838	24,315	24,739	25,168	25,566	26,033
<b>270 Energy</b>										
Budget Authority	2,740	2,908	2,791	2,494	2,434	2,295	2,252	2,312	2,371	2,380
Outlays	0,813	1,029	1,013	0,978	1,027	0,916	0,873	0,962	1,065	1,235
<b>300 Natural Resources and Environment</b>										
Budget Authority	33,290	34,365	35,314	36,224	36,383	36,272	37,943	38,654	39,511	40,247
Outlays	31,549	32,772	33,888	35,216	35,574	36,212	37,260	38,149	38,971	39,676
<b>350 Agriculture</b>										
Budget Authority	29,950	23,871	24,935	22,075	20,801	20,273	19,205	18,797	18,654	18,890
Outlays	28,654	22,507	23,616	20,825	20,719	19,158	18,126	17,797	17,656	17,908
<b>370 Commerce and Housing Credit</b>										
Budget Authority	5,563	5,518	7,485	7,358	7,409	7,572	7,771	7,927	8,090	8,259
Outlays	1,223	1,017	3,044	3,067	3,188	3,168	3,263	3,562	3,946	4,172
<b>400 Transportation</b>										
Budget Authority	65,780	65,174	67,033	68,348	69,703	71,098	72,536	73,987	75,466	76,981
Outlays	65,081	63,198	64,046	65,298	66,400	67,591	68,411	70,881	72,366	73,807
<b>450 Community and Regional Development</b>										
Budget Authority	15,855	15,941	16,195	16,452	16,620	16,901	17,182	17,461	17,734	18,026
Outlays	16,358	17,301	17,056	16,424	16,162	15,839	16,022	16,244	16,508	16,760
<b>500 Education, Training, Employment and Social Services</b>										
Budget Authority	85,600	92,216	95,821	98,686	103,482	106,026	107,764	109,170	110,762	112,401
Outlays	79,544	85,337	91,247	95,481	99,271	103,121	106,022	107,802	109,505	111,134
<b>550 Health</b>										
Budget Authority	221,534	242,153	261,669	279,377	299,646	320,960	343,678	369,262	396,366	426,447
Outlays	217,927	241,847	260,893	278,785	298,148	319,792	342,257	367,768	394,948	425,084

Senate Committee-Reported Budget Resolution for FY 2003 -- Totals by Function

\$ billions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
570 Medicare										
Budget Authority	240,076	256,183	280,523	312,426	342,847	382,127	415,754	462,431	497,998	531,753
Outlays	239,952	256,468	290,422	312,173	343,183	381,979	415,485	452,688	497,821	531,456
600 Income Security										
Budget Authority	322,668	319,229	326,508	336,600	344,006	357,806	369,640	382,653	400,665	392,275
Outlays	325,662	319,714	326,353	335,731	342,513	356,284	367,703	380,601	398,371	389,890
650 Social Security										
Budget Authority	13,428	14,414	15,316	16,223	17,398	18,779	20,466	22,404	25,621	28,108
Outlays	13,428	14,414	15,316	16,223	17,398	18,779	20,466	22,404	25,621	28,108
700 Veterans Benefits and Services										
Budget Authority	56,195	58,211	62,274	61,779	61,148	64,980	68,651	68,391	72,731	70,127
Outlays	55,309	57,818	61,816	61,276	60,593	64,690	68,263	67,999	72,358	69,654
750 Administration of Justice										
Budget Authority	38,437	37,912	36,584	37,410	38,287	39,170	40,120	41,061	41,998	42,981
Outlays	38,984	38,524	36,710	36,951	37,731	38,757	39,692	40,630	41,575	42,550
800 General Government										
Budget Authority	16,660	16,521	16,746	17,025	17,306	17,167	17,469	17,778	18,106	18,451
Outlays	16,605	16,770	16,687	16,822	17,002	16,981	17,099	17,381	17,697	18,167
900 Net Interest										
Budget Authority	259,060	286,714	302,269	312,913	322,316	331,273	339,874	347,333	354,127	354,828
Outlays	259,060	286,714	302,269	312,913	322,316	331,273	339,874	347,333	354,127	354,828
920 Allowances										
Budget Authority	-5,442	-12,109	-14,593	-14,943	-15,135	-15,811	-16,284	-17,104	-17,589	-18,140
Outlays	-1,182	-10,348	-13,946	-14,656	-14,971	-15,704	-16,174	-16,992	-17,475	-18,024
950 Offsetting Receipts										
Budget Authority	-44,467	-58,205	-61,364	-64,337	-64,395	-66,556	-68,351	-69,717	-70,993	-72,519
Outlays	-44,467	-58,205	-61,364	-64,337	-64,395	-66,556	-68,351	-69,717	-70,993	-72,519

**Senate Committee-Reported Budget Resolution for FY 2003 -- Mandatory Totals by Function**  
 (\$ billions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>On-budget:</b>										
Budget Authority	1,034,669	1,069,066	1,147,622	1,213,276	1,280,063	1,363,175	1,438,845	1,520,172	1,620,471	1,671,736
Outlays	977,780	1,014,280	1,089,470	1,154,001	1,220,537	1,303,523	1,376,551	1,459,773	1,559,152	1,609,794
<b>Total budget:</b>										
Budget Authority	1,402,657	1,446,734	1,537,286	1,617,126	1,698,749	1,797,663	1,892,794	1,995,611	2,117,848	2,194,942
Outlays	1,343,648	1,389,848	1,476,834	1,555,451	1,636,723	1,735,511	1,829,700	1,932,212	2,053,329	2,129,600
<b>050 National Defense</b>										
Budget Authority	0.596	0.578	0.802	1.545	1.941	2.049	2.166	2.292	2.423	2.550
Outlays	-0.083	0.480	0.829	1.480	1.890	1.989	2.100	2.220	2.345	2.465
<b>150 International Affairs</b>										
Budget Authority	-0.100	0.119	0.237	0.288	0.324	0.337	0.301	0.592	0.492	0.432
Outlays	-2.903	-2.981	-2.376	-2.997	-2.991	-2.978	-2.934	-2.952	-3.024	-3.065
<b>250 General Science, Space and Technology</b>										
Budget Authority	0.149	0.019	0.016	0.016	0.017	0.017	0.017	0.018	0.018	0.018
Outlays	0.140	0.142	0.090	0.038	0.021	0.017	0.017	0.017	0.018	0.018
<b>270 Energy</b>										
Budget Authority	-0.844	-0.702	-0.945	-1.247	-1.378	-1.569	-1.703	-1.718	-1.731	-1.798
Outlays	-2.619	-2.521	-2.649	-2.746	-2.747	-2.940	-3.038	-3.027	-2.974	-2.900
<b>300 Natural Resources and Environment</b>										
Budget Authority	3.188	3.573	3.835	4.054	4.486	4.631	4.248	3.438	3.516	3.435
Outlays	2.104	2.582	3.005	3.621	3.406	3.326	3.615	3.747	3.796	3.710
<b>350 Agriculture</b>										
Budget Authority	24.226	18.021	18.956	15.965	15.557	13.890	12.674	12.125	11.834	11.918
Outlays	22.602	16.729	17.716	14.808	14.568	12.852	11.675	11.206	10.917	11.019
<b>370 Commerce and Housing Credit</b>										
Budget Authority	5.105	5.023	6.973	6.831	6.862	7.007	7.184	7.319	7.460	7.608
Outlays	1.057	0.644	2.732	2.763	2.553	2.742	2.870	3.136	3.511	3.672
<b>400 Transportation</b>										
Budget Authority	44.359	43.243	44.580	45.304	46.196	47.026	47.877	48.743	49.631	50.537
Outlays	3.246	2.008	1.964	1.950	1.926	1.944	1.979	2.018	2.065	2.116
<b>450 Community and Regional Development</b>										
Budget Authority	0.337	0.163	0.163	0.165	0.066	0.080	0.083	0.089	0.091	0.094
Outlays	-0.317	-0.165	-0.176	-0.269	-0.333	-0.458	-0.542	-0.692	-0.601	-0.608

**Senate Committee-Reported Budget Resolution for FY 2003 -- Mandatory Totals by Function**

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>500 Education, Training, Employment, and Social Services</b>										
Budget Authority	11,460	14,449	17,906	20,264	23,179	24,866	25,696	26,220	26,950	27,686
Outlays	8,551	10,752	13,446	16,314	19,100	21,891	23,909	24,780	25,567	26,322
<b>550 Health</b>										
Budget Authority	170,603	190,305	208,913	225,716	245,035	265,394	287,108	311,692	337,808	366,853
Outlays	171,976	192,175	209,572	226,422	245,124	265,664	287,166	311,711	337,889	367,039
<b>570 Medicare</b>										
Budget Authority	236,326	252,302	266,507	308,262	336,625	377,625	411,059	447,552	492,916	526,411
Outlays	236,175	252,580	266,433	308,051	338,917	377,525	410,842	447,858	492,793	526,180
<b>600 Income Security</b>										
Budget Authority	276,968	271,717	277,866	286,711	282,822	305,339	315,727	327,225	343,757	333,878
Outlays	276,665	271,059	277,046	285,455	291,109	303,521	313,668	325,269	341,705	331,829
<b>650 Social Security</b>										
Budget Authority	13,408	14,383	15,295	16,201	17,375	18,755	20,441	22,379	25,595	28,081
Outlays	13,408	14,383	15,295	16,201	17,375	18,755	20,441	22,379	25,595	28,081
<b>700 Veterans Benefits and Services</b>										
Budget Authority	29,539	30,839	34,177	32,957	31,551	34,593	35,415	36,321	39,817	36,332
Outlays	29,224	30,721	34,110	32,851	31,365	34,495	35,348	36,247	39,771	36,196
<b>750 Administration of Justice</b>										
Budget Authority	4,422	3,050	0,865	0,823	0,786	0,743	0,699	0,651	0,600	0,548
Outlays	3,610	3,509	1,108	0,754	0,665	0,633	0,585	0,543	0,492	0,440
<b>800 General Government</b>										
Budget Authority	1,545	1,236	1,217	1,223	1,224	0,801	0,809	0,816	0,843	0,874
Outlays	1,543	1,425	1,187	1,167	1,195	0,934	0,806	0,795	0,816	1,001
<b>900 Net Interest</b>										
Budget Authority	259,060	266,714	302,269	312,913	322,316	331,273	339,874	347,333	354,127	354,828
Outlays	259,060	266,714	302,269	312,913	322,316	331,273	339,874	347,333	354,127	354,828
<b>920 Allowances</b>										
Budget Authority	-1,192	-7,771	-10,167	-10,428	-10,526	-11,106	-11,479	-12,198	-12,583	-13,030
Outlays	-1,192	-7,771	-10,167	-10,428	-10,526	-11,106	-11,479	-12,198	-12,583	-13,030
<b>950 Offsetting Receipts</b>										
Budget Authority	-44,467	-58,205	-61,364	-54,337	-54,395	-58,556	-58,351	-60,717	-63,093	-65,519
Outlays	-44,467	-58,205	-61,364	-54,337	-54,395	-58,556	-58,351	-60,717	-63,093	-65,519

**Senate Committee-Reported Budget Resolution for FY 2003 -- Discretionary Totals by Function**

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Discretionary (on-budget)</b>										
Budget Authority	764,251	782,560	800,157	817,981	836,720	855,834	876,254	896,177	916,447	937,471
Outlays	780,919	812,545	831,436	843,299	864,045	880,506	902,170	924,504	950,497	984,916
<b>Discretionary (total)</b>										
Budget Authority	766,089	786,505	804,208	822,140	840,993	860,225	880,770	900,817	921,213	942,368
Outlays	784,738	816,479	835,438	847,408	869,266	884,856	906,643	929,101	955,219	989,788
<b>050 National Defense</b>										
Budget Authority	392,757	400,495	410,842	421,240	432,177	443,422	455,174	466,955	478,860	491,173
Outlays	380,228	393,874	405,004	410,107	413,988	430,882	444,116	457,473	474,385	479,470
<b>150 International Affairs</b>										
Budget Authority	25,798	26,205	26,648	27,084	27,568	28,035	28,518	29,005	29,491	29,974
Outlays	24,867	25,819	25,785	26,122	26,628	27,141	27,369	27,858	28,370	28,891
<b>250 General Science, Space and Technology</b>										
Budget Authority	22,793	23,194	23,588	23,984	24,400	24,817	25,253	25,687	26,116	26,566
Outlays	21,920	22,824	23,008	23,402	23,817	24,298	24,722	25,151	25,578	26,015
<b>270 Energy</b>										
Budget Authority	3,584	3,610	3,676	3,741	3,812	3,884	3,955	4,030	4,102	4,178
Outlays	3,432	3,550	3,662	3,724	3,774	3,856	3,911	3,989	4,059	4,135
<b>300 Natural Resources and Environment</b>										
Budget Authority	30,102	30,792	31,479	32,170	32,897	33,641	34,695	35,216	35,995	36,812
Outlays	29,445	30,180	30,883	31,595	32,168	32,886	33,645	34,402	35,175	35,966
<b>350 Agriculture</b>										
Budget Authority	5,724	5,850	5,979	6,110	6,244	6,383	6,531	6,672	6,820	6,972
Outlays	6,052	5,778	5,900	6,017	6,151	6,306	6,451	6,591	6,739	6,889
<b>370 Commerce and Housing Credit</b>										
Budget Authority	0,457	0,495	0,512	0,527	0,547	0,565	0,587	0,608	0,630	0,650
Outlays	0,166	0,373	0,312	0,314	0,345	0,426	0,413	0,426	0,435	0,500
<b>400 Transportation</b>										
Budget Authority	21,421	21,931	22,453	22,984	23,507	24,072	24,659	25,244	25,835	26,444
Outlays	61,835	61,190	62,082	63,346	64,474	66,047	67,432	68,863	70,291	71,691

**Senate Committee-Reported Budget Resolution for FY 2003 -- Discretionary Totals by Function**

(\$ billions)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>450 Community and Regional Development</b>										
Budget Authority	15,516	15,778	16,032	16,287	16,554	16,821	17,089	17,372	17,643	17,932
Outlays	16,675	17,466	17,232	16,693	16,495	16,297	16,564	16,836	17,109	17,398
<b>500 Education, Training, Employment, and Social Services</b>										
Budget Authority	74,140	77,767	78,615	79,432	80,303	81,160	82,068	82,950	83,812	84,715
Outlays	70,983	74,585	77,801	79,147	80,171	81,230	82,113	83,022	83,918	84,812
<b>550 Health</b>										
Budget Authority	50,931	51,848	52,756	53,661	54,611	55,568	56,570	57,570	58,558	59,584
Outlays	45,951	49,672	51,421	52,363	53,024	54,128	55,091	56,075	57,059	58,055
<b>570 Medicare</b>										
Budget Authority	3,749	3,881	4,016	4,164	4,322	4,502	4,695	4,879	5,062	5,342
Outlays	3,777	3,878	3,989	4,122	4,266	4,454	4,643	4,830	5,028	5,276
<b>600 Income Security</b>										
Budget Authority	45,700	47,512	48,622	49,889	51,184	52,467	53,913	55,428	56,908	58,397
Outlays	49,017	48,655	49,307	50,278	51,405	52,763	54,035	55,332	56,666	58,061
<b>650 Social Security</b>										
Budget Authority	0.020	0.021	0.021	0.022	0.023	0.024	0.025	0.025	0.026	0.027
Outlays	0.020	0.021	0.021	0.022	0.023	0.024	0.025	0.025	0.026	0.027
<b>700 Veterans Benefits and Services</b>										
Budget Authority	26,657	27,372	28,097	28,822	29,597	30,387	31,236	32,070	32,914	33,795
Outlays	26,065	27,097	27,706	28,425	29,188	30,195	30,935	31,752	32,587	33,458
<b>750 Administration of Justice</b>										
Budget Authority	34,015	34,882	35,716	36,587	37,501	38,427	39,421	40,410	41,398	42,433
Outlays	35,384	35,015	35,602	36,197	37,066	38,124	39,107	40,087	41,083	42,110
<b>800 General Government</b>										
Budget Authority	15,135	15,285	15,529	15,802	16,082	16,366	16,660	16,962	17,263	17,577
Outlays	15,062	15,345	15,500	15,655	15,807	16,047	16,293	16,566	16,881	17,166
<b>920 Allowances</b>										
Budget Authority	-4,250	-4,338	-4,426	-4,515	-4,609	-4,705	-4,805	-4,906	-5,006	-5,110
Outlays	0.010	-2,577	-3,779	-4,228	-4,445	-4,598	-4,695	-4,794	-4,892	-4,994

**President's FY 2003 Budget Reestimated by CBO -- (Without Accruals)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>On-budget</b>										
Budget authority	1,792,120	1,846,103	1,891,489	2,027,625	2,122,673	2,216,188	2,308,524	2,408,865	2,527,165	2,605,162
Outlays	1,764,459	1,821,053	1,899,198	1,988,624	2,072,199	2,173,621	2,267,559	2,369,196	2,494,071	2,564,360
Revenues	1,467,420	1,576,171	1,712,142	1,810,892	1,899,398	2,002,596	2,115,024	2,224,074	2,340,182	2,464,746
Surplus	-297,039	-244,882	-187,056	-177,792	-172,801	-171,025	-152,535	-145,122	-153,889	-99,634
Total surplus	-121,337	-50,812	23,787	47,694	67,773	85,070	118,607	142,165	149,873	218,161
Debt held by the public	3,586,692	3,650,124	3,641,468	3,607,778	3,552,487	3,478,772	3,370,492	3,237,789	3,095,857	2,884,974
<b>050 National Defense</b>										
Budget Authority	392,837	400,421	421,361	442,441	464,395	476,811	499,569	502,766	516,265	530,108
Outlays	379,629	392,696	411,697	426,465	440,236	461,990	477,266	492,199	510,884	517,265
<b>160 International Affairs</b>										
Budget Authority	25,198	26,060	26,887	27,488	28,212	28,901	29,531	30,513	31,123	31,761
Outlays	21,616	22,080	22,366	22,971	23,718	24,357	25,045	25,690	26,285	26,905
<b>260 General Science, Space and Technology</b>										
Budget Authority	22,561	23,204	23,718	24,272	24,846	25,435	26,036	26,655	27,290	27,941
Outlays	21,781	22,493	23,144	23,663	24,214	24,785	25,370	25,970	26,590	27,222
<b>270 Energy</b>										
Budget Authority	2,494	2,795	2,650	2,227	2,191	2,754	2,793	2,832	2,791	2,827
Outlays	0,735	0,975	0,943	0,853	0,868	1,227	1,301	1,463	1,591	1,702
<b>300 Natural Resources and Environment</b>										
Budget Authority	29,576	30,506	31,398	30,950	31,581	32,120	33,229	33,969	34,695	35,375
Outlays	29,341	29,957	30,690	31,606	31,710	31,710	32,481	33,037	33,787	34,433
<b>350 Agriculture</b>										
Budget Authority	27,941	25,623	23,569	22,936	22,601	21,856	21,476	21,697	21,825	21,815
Outlays	26,814	24,219	22,337	21,571	21,381	20,651	20,350	20,675	20,825	20,828
<b>370 Commerce and Housing Credit</b>										
Budget Authority	5,045	4,809	6,396	5,936	7,045	7,418	8,292	12,550	7,327	7,222
Outlays	0,913	0,434	2,098	1,734	2,690	2,949	3,594	7,073	4,165	3,607
<b>400 Transportation</b>										
Budget Authority	63,428	58,380	64,559	65,869	67,201	68,552	69,965	71,396	72,863	74,364
Outlays	62,456	58,434	57,765	58,465	59,296	60,465	61,644	63,092	64,567	66,057
<b>460 Community and Regional Development</b>										
Budget Authority	15,184	15,560	15,844	16,217	16,718	17,130	17,592	17,953	18,362	18,823
Outlays	15,972	16,878	16,566	15,938	15,678	15,615	15,960	16,329	16,711	17,126

**President's FY 2003 Budget Reestimated by CBO -- (Without Accruals)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>\$ billions</b>										
<b>500 Education, Training, Employment, and Social Services:</b>										
Budget Authority	80,981	83,031	85,001	86,865	88,846	91,017	93,189	95,145	97,407	99,725
Outlays	78,392	80,959	82,826	84,378	86,231	88,346	90,462	92,343	94,531	96,767
<b>550 Health</b>										
Budget Authority	220,730	242,790	257,991	276,568	297,219	318,592	341,301	366,821	394,546	424,947
Outlays	217,690	239,577	257,599	275,909	295,621	317,172	340,073	365,578	392,855	423,332
<b>570 Medicare</b>										
Budget Authority	238,556	251,020	270,134	295,569	322,011	346,315	372,200	399,610	432,715	459,425
Outlays	238,408	251,300	270,048	295,354	322,269	346,179	371,947	399,079	432,554	459,155
<b>600 Income Security</b>										
Budget Authority	316,956	317,516	324,640	335,102	342,720	356,167	367,922	380,576	407,742	400,411
Outlays	319,426	317,961	324,908	335,018	342,227	355,689	367,468	380,400	407,700	400,593
<b>650 Social Security</b>										
Budget Authority	13,359	14,460	15,357	16,336	17,408	18,781	20,462	22,384	25,585	28,066
Outlays	13,359	14,440	15,347	16,245	17,404	18,779	20,460	22,362	25,583	28,064
<b>700 Veterans Benefits and Services</b>										
Budget Authority	55,175	56,829	60,679	60,019	59,190	62,863	64,931	65,933	69,992	67,516
Outlays	54,748	56,548	60,327	59,611	58,691	62,581	63,975	65,544	69,636	67,045
<b>750 Administration of Justice</b>										
Budget Authority	37,050	40,200	37,801	38,694	39,608	40,560	41,528	42,528	43,549	44,588
Outlays	38,429	40,433	38,367	38,805	39,235	40,171	41,104	42,088	43,106	44,132
<b>800 General Government</b>										
Budget Authority	17,194	18,371	17,449	18,195	18,229	18,206	18,628	19,063	19,519	20,042
Outlays	16,885	18,509	17,347	17,911	17,901	17,945	18,179	18,582	19,022	19,666
<b>900 Net Interest</b>										
Budget Authority	264,220	292,018	305,513	316,120	326,751	338,255	347,768	355,968	365,275	374,318
Outlays	264,220	292,018	305,513	316,120	326,751	338,255	347,768	355,966	365,275	374,318
<b>920 Allowances</b>										
Budget Authority	8,000	2,860	1,350	0,050	0,050	0,050	0,000	0,000	0,000	0,000
Outlays	8,010	1,508	0,098	0,205	0,265	0,340	0,370	0,370	0,330	0,275
<b>850 Offsetting Receipts</b>										
Budget Authority	-44,365	-60,360	-60,768	-54,188	-54,087	-55,595	-57,258	-59,484	-61,728	-64,112
Outlays	-44,365	-60,360	-60,768	-54,188	-54,087	-55,595	-57,258	-59,484	-61,728	-64,112



SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302  
OF THE CONGRESSIONAL BUDGET ACT, BUDGET YEAR TOTAL 2003

[In millions of dollars]

Committee	Direct spending jurisdiction		Mandatories funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
<b>Appropriations</b>				
General Purpose Discretionary .....	766,167	757,552	0	0
Memo:				
on-budget .....	762,329	753,735	0	0
off-budget .....	3,838	3,817	0	0
Highways .....	0	29,282	0	0
Mass Transit .....	0	6,030	0	0
Conservation .....	1,922	1,872	0	0
Subtotal, discretionary .....	768,089	794,736	0	0
Mandatory .....	384,973	371,629	0	0
Total (on-budget) .....	1,149,224	1,162,548	0	0
Agriculture, Nutrition, and Forestry .....	27,083	22,162	38,588	38,389
Armed Services .....	77,001	76,293	160	121
Banking, Housing and Urban Affairs .....	13,480	1,270	134	6
Commerce, Science, and Transportation .....	12,557	8,389	871	866
Energy and Natural Resources .....	2,553	2,269	64	77
Environment and Public Works .....	33,612	2,210	-1,393	0
Finance .....	738,122	740,448	283,651	283,684
Foreign Relations .....	11,077	10,068	185	184
Governmental Affairs .....	64,395	64,287	16,408	16,408
Judiciary .....	8,984	8,143	507	506
Health, Education, Labor, and Pensions .....	4,650	4,155	2,835	2,786
Rules and Administration .....	83	47	100	100
Intelligence .....	0	0	223	223
Veterans' Affairs .....	1,348	1,396	28,640	28,279
Indian Affairs .....	233	222	0	0
Small Business .....	3	-238	0	0
Unassigned to Committee .....	-345,465	-334,970	14,000	0
<b>Total (on-budget) .....</b>	<b>1,798,940</b>	<b>1,768,699</b>	<b>384,973</b>	<b>371,629</b>

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302  
OF THE CONGRESSIONAL BUDGET ACT, 5-YEAR TOTAL: 2003-2007

[In millions of dollars]

Committee	Direct spending jurisdiction		Mandatories funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry .....	108,443	89,803	200,191	199,272
Armed Services .....	416,308	414,911	602	614
Banking, Housing and Urban Affairs .....	65,484	915	707	68
Commerce, Science, and Transportation .....	49,340	28,935	4,750	4,726
Energy and Natural Resources .....	12,024	10,895	320	341
Environment and Public Works .....	173,621	9,609	-7,253	0
Finance .....	4,074,689	4,080,813	1,635,720	1,635,755
Foreign Relations .....	57,800	52,340	933	932
Governmental Affairs .....	348,946	348,359	91,803	91,803
Judiciary .....	29,691	30,083	2,591	2,594
Health, Education, Labor, and Pensions .....	26,293	23,682	14,978	14,813
Rules and Administration .....	412	409	515	515
Veterans' Affairs .....	6,620	6,663	154,452	153,621
Intelligence .....	0	0	1,197	1,197
Indian Affairs .....	1,221	1,197	0	0
Small Business .....	8	-416	0	0

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302  
OF THE CONGRESSIONAL BUDGET ACT, 10-YEAR TOTAL: 2003–2012

[In millions of dollars]

Committee	Direct spending jurisdiction		Mandatories funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry .....	184,228	153,814	433,198	431,333
Armed Services .....	912,099	909,880	1,116	1,194
Banking, Housing and Urban Affairs .....	130,502	–1,513	1,505	583
Commerce, Science, and Transportation .....	103,440	61,845	10,667	10,614
Energy and Natural Resources .....	21,515	19,836	640	661
Environment and Public Works .....	366,920	17,782	–15,265	0
Finance .....	9,276,396	9,277,447	4,034,104	4,033,894
Foreign Relations .....	122,574	111,987	1,878	1,877
Governmental Affairs .....	771,297	769,998	209,478	209,478
Judiciary .....	54,814	54,802	5,386	5,375
Health, Education, Labor, and Pensions .....	58,419	52,911	32,115	31,831
Rules and Administration .....	808	1,025	1,082	1,082
Veterans' Affairs .....	12,509	12,559	332,582	331,329
Intelligence .....	0	0	2,589	2,589
Indian Affairs .....	2,605	2,561	0	0
Small Business .....	13	–492	0	0

## VI. ENFORCEMENT AND OTHER PROVISIONS

A budget resolution does not become law, and cannot amend law. However, provisions of a budget resolution can affect the consideration of legislation to implement the policies assumed in the resolution. The committee-reported budget resolution includes a number of such provisions.

### TITLE II—BUDGETARY RESTRAINTS AND RESERVE FUNDS

#### *Subtitle A—Budgetary restraints*

##### *Sec. 201. Circuit Breaker to Protect Social Security.*

The committee-report resolution provides that starting in January 2003, if CBO's budget and economic outlook report for a fiscal year projects an on-budget deficit (excluding Social Security) for the budget year or any subsequent fiscal year covered by its projections, then the budget resolution must protect Social Security by reducing those deficits, and put the budget on a path to achieve balance within five years (but shall not reduce Social Security benefits). A budget resolution that fails to reduce such deficits and put the budget on a path to balance within 5 years will be subject to a point of order in the Senate. An amendment to a budget resolution that would increase on-budget deficits relative to the budget resolution or that would cause the budget to fail to reach balance within 5 years will also be subject to a point of order in the Senate. There is an exception for war and low economic growth.

##### *Sec. 202. Extension of Supermajority Enforcement.*

The committee-reported resolution would extend for five years, for purposes of Senate enforcement, the supermajority waiver and appeal provisions of Sections 904(c)(2) and 904(d)(3) of the Congressional Budget Act of 1974, currently due to expire on September

30, 2002. Those provisions require a three-fifths vote to waive the following points of order, or to appeal a ruling of the Chair:

- Sec. 301(i) of the Congressional Budget Act, against a budget resolution that reduces Social Security surpluses;
- Sec. 302(c) of the Congressional Budget Act of 1974, against considering appropriations bills without 302(b) allocations;
- Sec. 302(f) of the Congressional Budget Act of 1974, against bills exceeding committee or Appropriations subcommittee allocations;
- Sec. 310(g) of the Congressional Budget Act of 1974, against a reconciliation bill that changes Social Security;
- Sec. 311(a) of the Congressional Budget Act of 1974, against legislation breaching the budget resolution's levels for total budget authority, outlays, revenue floors, and Social Security surpluses;
- Sec. 312(b) of the Congressional Budget Act of 1974, against legislation exceeding the discretionary spending caps;
- Sec. 312(c) of the Congressional Budget Act of 1974, against legislation exceeding the maximum deficit amount;
- Sec. 258(a)(4)(C) of the Balanced Budget and Emergency Deficit Control Act of 1985, prohibiting amendments to resolutions on low growth or war;
- Sec. 258A(b)(3)(C)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, against nongermane amendments to a joint resolution modifying a sequestration order;
- Sec. 258B(f)(1) & 258B(h)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985, against nongermane amendments to a joint resolution affirming the President's decision regarding sequestration of function 050 (defense);
- Sec. 258B(h)(3) of the Balanced Budget and Emergency Deficit Control Act of 1985, against amendments and conference reports on a joint resolution that would increase Function 050 outlays above the President's recommended cuts, unless they are offset;
- Sec. 258C(a)(5) of the Balanced Budget and Emergency Deficit Control Act of 1985, against any reconciliation bill that exceeds the maximum deficit amount; and
- Sec. 258C(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985, which makes the provisions of sections 305 and 310 of the Congressional Budget Act of 1974 apply also to the consideration of resolutions, reconciliation bills, and reconciliation resolutions reported under section 258C of the Balanced Budget and Emergency Deficit Control Act.

*Sec. 203. Pay-as-You-Go Rule in the Senate.*

The fiscal year 1994 budget resolution (H. Con. Res. 64) established a "pay-as-you-go" point of order in the Senate that prohibited consideration of direct spending and tax legislation that would increase the deficit or decrease the surplus in the first fiscal year of the budget resolution, the first five fiscal years, or the succeeding five fiscal years. This point of order could be waived only by an affirmative vote of three-fifths of the Senate. The fiscal year 1995 budget resolution modified and extended the point of order

through fiscal year 1998. The fiscal year 1996 budget resolution (H. Con. Res. 67) modified and extended the point of order through September 30, 2002. The fiscal year 2000 budget resolution (H. Con. Res. 68) further modified this point of order, so that it now applies only to direct spending and tax legislation that would cause or increase an on-budget deficit in the first year, the first five years, or the succeeding five years.

The committee-reported budget resolution restores the stricter, more fiscally responsible version of the paygo rule that was used in the Senate prior to fiscal year 2000. It provides, consistent with the paygo sequestration statute in section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, a supermajority point of order against mandatory spending and tax legislation that would decrease the on-budget surplus, cause an on-budget deficit, or increase an on-budget deficit in the first year, the first five years, or the second five years covered by the budget resolution.

*Sec. 204. Advance Appropriations.*

The committee-reported resolution amends the exception to the supermajority point of order in the fiscal year 2002 budget resolution that limited advance appropriations enacted last year for fiscal year 2003. The revised provision will limit appropriations bills that first become effective in fiscal year 2004 to \$25.403 billion (excluding appropriations for the Corporation for Public Broadcasting). It strikes language in the fiscal year 2001 budget resolution providing points of order against advance appropriations and delayed obligations.

*Sec. 205. Emergency Designations.*

The committee-reported resolution expands the current exception to the supermajority emergency designation point of order in the Senate so that the point of order does not apply to emergency designations for discretionary appropriations for defense or non-defense, including homeland security.

*Sec. 206. Improvement in Budget Projections Dedicated toward Further Debt Reduction.*

The committee-reported resolution provides that if CBO's summer budget and economic update includes improved deficit/surplus numbers, the improvement in those amounts shall be dedicated toward debt reduction.

*Sec. 207. Discretionary Spending Limits.*

The committee-reported budget resolution establishes a supermajority point of order in the Senate against considering any bill, joint resolution, amendment, motion, or conference report that would exceed overall caps on discretionary spending for fiscal year 2003 of \$768.089 billion in budget authority or \$794.736 billion in outlays, unless a declaration of war is in effect. The adoption of any supplemental appropriations Act or Acts shall adjust those caps.

*Subtitle B—Reserve Funds**Sec. 211. Reserve Fund for Medicare, Prescription Drugs, and Health Care.*

The committee-reported resolution allows the Chairman of the Budget Committee, in consultation with the members of the Budget Committee and the Chairman and ranking member of the appropriate committee, to adjust the allocations to the Finance Committee for legislation reported by the Finance Committee to expand health insurance coverage to the uninsured, and for legislation to provide a prescription drug benefit, protect beneficiary access to covered health care services and providers, and strengthen Medicare. A total of \$500 billion over fiscal years 2003 through 2012 is made available for these purpose. The Committee may use all of this amount for providing a prescription drug benefit, protecting access to health care services and providers, and modernizing Medicare; or the Committee may use up to \$95 billion of the total for expanded health insurance coverage legislation; or the Committee may provide for some combination of the two, up to \$500 billion. In addition, the reserve fund does not preclude provisions that would exceed the reserve fund's limits, so long as those provisions are effective only upon the enactment of legislation producing savings sufficient to offset the cost of such provisions.

*Sec. 212. Reserve Fund for the Individuals with Disabilities Education Act.*

The committee-reported resolution allows the Chairman, in consultation with the members of the Budget Committee and the Chairman and ranking member of the appropriate committee, to increase the Health, Education, Labor, and Pensions (HELP) Committee's allocations by up to \$2.5 billion in new budget authority and \$50 million in outlays for fiscal year 2003, \$37.5 billion in new budget authority and \$21.4 billion in outlays for the total of fiscal years 2003 through 2007, and \$112.5 billion in new budget authority and \$90.6 billion in outlays for the total of fiscal years 2003 through 2012, for legislation that would increase funding for Part B grants, other than Section 619, under IDEA, with the goal that funding for these grants, when taken together with amounts provided by the Appropriations Committee, provides 40 percent of the national average per pupil expenditure for children with disabilities in the sixth years.

*Sec. 213. Reserve Fund for Defense.*

The committee-reported resolution establishes a reserve fund for fiscal years 2005–2012 to accommodate possible war-related or other defense expenses which may materialize in those years. It supports President Bush's defense increases for two years, and then increases the 2004 level at the rate of inflation thereafter. The reserve fund provides a mechanism to allow total budget authority and outlays and functional totals in the budget resolution to be increased by the Budget Committee in consultation with the Chairman and ranking member of the appropriate committee, by up to \$11 billion in budget authority and \$7 billion in outlays for 2005, \$21 billion in budget authority and \$17 billion in outlays in 2006, \$32 billion in budget authority and \$27 billion in outlays in 2007,

\$33 billion in budget authority and \$31 billion in outlays in 2008, \$35 billion in budget authority and \$33 billion in outlays in 2009, \$36 billion in budget authority and \$35 billion in outlays in 2010, \$38 billion in budget authority and \$37 billion in outlays in 2011, and \$39 billion in budget authority and \$38 billion in outlays in 2012, in the event that the Armed Services Committee reports legislation supporting such increases for expenses related to the war on terrorism. In the event that the reserve fund is not used, those amounts are dedicated toward debt reduction.

*Sec. 214. Application and Effect of Changes in Allocations and Aggregates.*

The committee-reported resolution contains language identical to that included in previous resolutions which makes clear when adjustments to the levels in the resolution for reserve funds will take effect, and clarifies the authority of the Budget Committee to make such adjustments.

*Subtitle C—Rulemaking*

*Sec. 221. Exercise of Rulemaking Powers.*

As always, the committee-reported resolution includes language stating Congress' authority to legislate rules of procedure for the House and Senate.

TITLE III—SENSE OF THE SENATE

Title III of the committee-reported resolution consists of the following non-binding provisions:

*Sec. 301. Sense of the Senate Regarding Estimates of the Cost of Small Business Credit Programs.*

The committee-reported resolution expresses the sense of the Senate that the administration should improve its credit estimates of small business programs and work with the Congress to ensure that adequate funding is provided in fiscal year 2003 for small business credit programs.

*Sec. 302. Sense of the Senate Regarding Federal Employee Pay.*

Expresses the sense of the Senate that there should continue to be parity between the adjustments in the compensation of members of the uniformed services and the adjustments in the compensation of civilian employees of the United States.

*Sec. 303. Sense of the Senate Regarding Broadband Capabilities for Underserved Areas.*

Expresses the sense of the Senate that Congress should provide grants to facilitate private sector deployment of broadband telecommunications networks and capabilities to underserved rural areas.

*Sec. 304. Rejecting Reductions in Guaranteed Social Security Benefits.*

Expresses the sense of the Senate that Congress should reject the reductions in guaranteed Social Security benefits proposed by the President's Commission to Strengthen Social Security.

*Sec. 305. Sense of the Senate on Mental Health Parity.*

Expresses the sense of the Senate that if the enactment of mental health parity legislation has a negative impact on the Social Security trust funds, the Secretary of the Treasury shall transfer from the general fund an amount sufficient to ensure that the Social Security trust funds are not reduced by the legislation.

*Sec. 306. Sense of the Senate on Beneficiary Access to Health Services.*

Expresses the sense of the Senate that Congress should provide sufficient resources to ensure beneficiary access to high quality health services provided by home health agencies, skilled nursing facilities, physicians, and hospitals, including rural, teaching, community, and safety net hospitals that serve communities across the nation.

*Sec. 307. Sense of the Senate on Cost of Prescription Drugs and Competition.*

Expresses the sense of the Senate that if Congress passes legislation that utilizes market forces and competition to lower the cost of prescription drugs, and if CBO says that these measures save the Federal government money, these savings should be set aside to enhance a prescription drug benefit for Medicare recipients.

*Sec. 308. Sense of the Senate on Equal Access to Medicare.*

Expresses the sense of the Senate that none of the funds provided in this resolution should be used to provide reimbursements under the Medicare program to any provider who requires beneficiaries to pay an access or membership fee, or requires the purchase of non-Medicare covered services as a precondition for receiving Medicare-covered care.

*Sec. 309. Sense of the Senate Regarding Home Health Care.*

Expresses the sense of the Senate that Congress and the administration should work together to avoid the 15 percent reduction in the prospective payment system for home health care, and extend the 10 percent bonus payment for rural Medicare home health providers.

*Sec. 310. Sense of the Senate Regarding Medicare Equity.*

Expresses the sense of the Senate in support of promoting geographic equity in Medicare fee for service payments and rewarding, rather than punishing, providers who deliver high-quality, cost-effective Medicare services in all areas of the country.

*Sec. 311. Sense of the Senate on Expanding Access to Affordable Health Care Coverage for the Uninsured.*

Expresses the sense of the Senate that sufficient funding will be made available to expand access to affordable health care coverage for the uninsured; and that such funding shall permit a mix of options for private and public coverage, build upon and strengthen private and public coverage, target those who need it most, avoid creating new bureaucracies, and promote flexibility in expanding coverage.

*Sec. 312. Sense of the Senate on Adequate Stockpile for Childhood Immunizations.*

Expresses the sense of the Senate that adequate stockpiles be made available for all routine immunizations universally recommended for children.

*Sec. 313. Sense of the Senate on Medicaid Commission.*

Expresses the sense of the Senate that Congress should establish a National Commission on Medicaid and State-Based Health Care Reform to study and make recommendations to the Congress, the President, and the HHS Secretary with respect to the program under title XIX of the Social Security Act.

*Sec. 314. Sense of the Senate on Child Care Funding.*

Expresses the sense of the Senate that Congress should increase funding for the Child Care and Development Fund to meet the work requirements under the reauthorization of welfare programs and to allow states to expand child care programs to meet the needs of lower-income working families.

*Sec. 315. Sense of the Senate Regarding the Child Tax Credit.*

Expresses the sense of the Senate that the Committee on Finance should extend the child tax credit for 2011 and the succeeding years, and that the Committee on Finance should offset the cost of that extension by enacting legislation to close down abusive corporate tax shelters and other abusive tax practices brought to light as a result of its investigations into the collapse of the Enron Corporation.

*Sec. 316. Sense of the Senate on Defense Science and Technology.*

Expresses the sense of the Senate that science and technology should be no less than three percent of the budget of the Department of Defense by 2007.

*Sec. 317. Sense of the Senate on Department of Defense Review of Tail-to-Tooth Commission.*

Expresses the sense of the Senate that Congress should request that the Department of Defense review the findings of the "Tail-to-Tooth Commission" and should closely evaluate ways to streamline overhead and support functions, and any savings made in this area should be used to provide the best support to our troops fighting the war or terrorism or critical resources for homeland defense.

*Sec. 318. Sense of the Senate Regarding the National Guard.*

Expresses the sense of the Senate that the resolution assumes the Department of Defense will give priority to funding the Active Guard/Reserves and Military Technicians at least at the minimum required levels.

*Sec. 319. Sense of the Senate on Concurrent Receipt of Military Retired Pay and Veterans' Administration Disability Compensation.*

Expresses the sense of the Senate that Congress should repeal any law that established the offset of military retired pay by Veterans Disability Compensation, enact legislation that fully funds



restoration of military retired pay to eligible disabled veterans, and that the President should provide full funding for military retired pay in future budget requests.

*Sec. 320. Sense of the Senate on Full Funding for the Assistance to Firefighters Grant Program.*

Expresses the sense of the Senate that the Assistance to Firefighters Grant Program administered by FEMA should be fully funded and remain a separate and distinct program that provides financial resources for basic fire fighting needs.

*Sec. 321. Sense of the Senate on National Infrastructure Protection Center.*

Expresses the sense of the Senate that the FBI should not receive the additional \$21 million in budget authority requested for the National Infrastructure Protection Center (“NIPC”) until the Attorney General reports to the Congress that NIPC will remain an inter-agency organization and will not be transferred solely to the FBI.

*Sec. 322. Sense of the Senate Regarding Tribal Colleges and Universities.*

Expresses the sense of the Senate that priority consideration will be provided to tribal colleges through funding for the Tribally Controlled College or University Assistance Act, the Equity in Educational Land Grant Status Act, and Title III of the Higher Education Act; and such priority consideration reflects Congress’ intent to continue to work toward statutory Federal funding goals for the Tribal Colleges and Universities.

*Sec. 323. Sense of the Senate Regarding the Pell Grant.*

Expresses the sense of the Senate that the maximum Pell Grant award should be raised to the maximum extend practicable, and funding for the Pell Grant program should be higher than the level requested by the President.

*Sec. 324. Sense of the Senate on Superfund.*

Expresses the sense of the Senate that funding for Superfund should be at a level sufficient to significantly increase the number of toxic waste sites cleaned up through the Superfund program.

*Sec. 325. Sense of the Senate Regarding PILT Funding.*

Expresses the sense of the Senate that the Payment in Lieu of Taxes (“PILT”) program should be fully funded.

*Sec. 326. Sense of the Senate on the State and Local Costs of Providing Services to Illegal Immigrants.*

Expresses the sense of the Senate that the Federal government should pay for the costs incurred by state and local government for providing services to undocumented immigrants.

*Sec. 327. Sense of the Senate on Balanced Budget Constitutional Amendment.*

Expresses the sense of the Senate regarding a Senate vote on a balanced budget Constitutional amendment.

## VII. COMMITTEE VIEWS AND ESTIMATES

U.S. SENATE,  
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,  
*Washington, DC, March 8, 2002.*

Hon. KENT CONRAD,  
*Chairman.*

Hon. PETE V. DOMENICI,  
*Ranking Minority Member, Committee on the Budget, Washington,  
DC.*

DEAR MR. CHAIRMAN AND SENATOR DOMENICI: This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the FY 2003 Budget Resolution. These views are provided in response to your February 4, 2002 letter and are in accordance with requirements of the Congressional Budget Act of 1974.

As you know, a House and Senate conference committee is working to finalize a new multi-year farm bill which, if enacted, will replace the Federal Agriculture Improvement and Reform Act of 1996 that is due to expire later this year. We have differing views on farm policy and the commodity support budget, so we are reporting developments in those areas without providing policy guidance. With respect to other titles of the farm bill, this year's views and estimates letter addresses those areas where we have substantial agreement.

For the past several years, American farmers and ranchers have been buffeted by persistently low commodity prices, especially for field crops. A combination of the programs of the Federal Agriculture Improvement and Reform Act of 1996 and four consecutive years of ad hoc farm assistance have been able to cushion these financial blows, at least in part. Although new farm income was at a healthy level of \$49.4 billion in 2001 with the help of supplemental payments totaling \$5.5 billion, USDA projects that net farm income could decline by 20 percent, or more than \$8 billion, for 2002 if additional assistance is not provided.

The FY 2002 budget resolution provided the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition and Forestry with an FY 2002 allocation and a FY 2003–2011 reserve fund that would permit the crafting of a farm bill that could spend up to \$73.5 billion above baseline levels for the ten-year period. That process is well underway, with the passage of a House bill (H.R. 2646) in October 2001 and a Senate bill (S. 1731) in February 2002.

We anticipate that passage of a new 2002 farm bill in the very near future will include farm programs with greater countercyclical protection. While the final form of the farm bill is still under discussion in a House-Senate conference, the bills from both chambers retain the marketing assistance loan program and also incorporate a second counter-cyclical program that is partially decoupled. As a result of changes in assistance mechanisms, there is also likely to be a modest expansion of agricultural producers eligible for federal support.

The farm bills passed by both the House and Senate reflect a commitment to strengthen voluntary, incentive-based conservation programs that would be available to more farmers than under cur-

rent programs and funding levels. The increased funding levels should enable the Department of Agriculture to meet pending applications for existing programs, as well as provide new access to conservation programs for farmers not previously served, such as producers of horticultural crops and livestock. Under current law, the majority of conservation funds have been devoted to paying farmers to retire environmentally fragile land under the Conservation Reserve Program. While the CRP may expand to some extent in the next farm bill, a greater share of funding will also be devoted to encouraging conserving practices on working farmland.

The Committee's strong support for agricultural research is also manifested in ongoing farm bill discussions. The funding level for the initiative for Future Agriculture and Food Systems, established under the Agricultural Research, Extension, and Education Reform Act of 1998 seems likely to be increased in the new farm bill providing greater opportunities for competitively-awarded agricultural research at land grant universities and other institutions. The U.S. agricultural sector continues to face a wide range of challenges that threaten its profitability. The negative effects of many of these challenges may be lessened or eliminated by more intensive research. Some of the most crucial issues include fighting plant and animal disease, developing new outlets and uses for agriculture products, and exploring new techniques to preserve the natural environment.

Both the soft national economy and the financial problems faced by American farmers have contributed to weakness in the rural economy. In order to create more opportunities for rural residents, farmers and non-farmers alike, it is important that more resources be devoted to meeting infrastructure needs, improving the quality of life, and establishing access to capital for rural value-added efforts that provide benefits for local communities, not just absentee businesses.

Foreign markets are an important outlet for U.S. agricultural commodities. The Committee notes that a new round of multilateral trade negotiations was launched in Doha, Qatar in November, 2001, giving additional impetus to further discussions on agricultural trade reform that had been underway since early 2000. A bill providing the President with authority to finalize trade agreements passed the House of Representatives last fall, and will likely be considered in the Senate in the next few months, together with other important trade-related legislation. The new farm bill includes a substantial new commitment to strengthening U.S. agricultural exports.

Over the past several decades, U.S. international food assistance programs have played an important role in supporting advancement in developing countries, while fostering stronger commercial and political relationships with their governments. We expect to carefully review the President's proposal to limit the participation of private voluntary organizations to those food aid programs run by the Agency for International Development, as well as other matters relating to the operation and effectiveness of the food aid programs under the Committee's jurisdiction.

Under consideration for the new farm bill are significant reforms of the federal food stamp program, including provisions that simplify program rules and encourage participation by eligible individ-

uals, ones that will ensure a more successful transition from welfare to work, and others that modestly increase program benefits and restore benefits to legal immigrants who have been in the United States for at least five years or who have at least a four-year work history in the United States. The Senate-passed bill would also provide commodities to emergency food sites and our nation's schools and fund the Senior and WIC farmers' market nutrition programs. USDA's child nutrition programs are also due to be re-authorized in 2003.

The Committee believes that the U.S. agricultural sector has the potential to play a significant role in producing renewable energy and reducing our reliance on imported sources of energy. We support the inclusion of tax incentives for bio-fuels, wind generation, and other renewable forms of energy and a renewable fuel standard in the comprehensive national energy policy bill. This is also a need to provide incentives for greater research, commercialization, production, and use of renewable energy, some of which are contained in the energy title in the Senate-passed farm bill.

The Senate-passed farm bill also contains provisions to help deter and respond to bioterrorism directed at the agricultural sector. Recent biological terrorism and threats underscore the need to put additional resources (to fund both scientists and facilities) into detecting and combating animal and plant disease, whether accidentally or deliberately introduced. We must continue to be diligent in our efforts to protect the American food supply given the threat of bioterrorist attacks.

The Committee is concerned with any fees or taxes proposed for sectors within the areas of the Committee's jurisdiction. For example, the Committee is concerned with the Administration's proposed fee on futures transactions and the potential adverse effects of such a fee on the competitiveness of the nation's regulated futures exchanges. This transaction tax would arguably put U.S. future exchanges at a competitive disadvantage to foreign and over-the-counter (OTC) competitors and may cause significant portions of the business to move to lesser regulated markets. For these reasons, the Committee urges that the 2003 budget resolution not assume any revenues from a transaction tax on futures trading.

As your Committee considers the aggregate discretionary spending levels in the FY2003 budget resolution, we ask you to keep in mind several important items that are funded in the agricultural appropriations bill. These include rural economic development, competitive and formula funding for agricultural research, biomass and other renewable energy research, conservation, food aid, nutrition, and bioterrorism. The Committee will continue to review and monitor spending in both the farm and food and nutrition areas.

Sincerely,

TOM HARKIN,  
*Chairman.*

RICHARD G. LUGAR,  
*Ranking Minority Member.*

U.S. SENATE,  
COMMITTEE ON ARMED SERVICES,  
*Washington, DC, March 6, 2002.*

Senator KENT CONRAD,  
*Chairman.*

Senator PETE DOMENICI,  
*Ranking Member, Committee on the Budget, U.S. Senate, Wash-  
ington, DC.*

DEAR KENT AND PETE: In accordance with your request, I am forwarding my recommendations on funding for the programs in the jurisdiction of the Armed Services Committee for the Fiscal Year 2003 Budget Resolution.

In the near term, I believe there are some unfunded costs of the war on terrorism for fiscal year 2002, including the incremental costs of Operations Enduring Freedom and Noble Eagle, for which a fiscal year 2002 supplemental is needed. While I cannot comment on the specific supplemental request until it is submitted to the Congress, I do believe some level of supplemental funding will be required for FY2002.

Our Committee is just beginning its review of the FY2003 budget and the FY2003–2007 Future Years Defense program. With respect to FY2003, at this time I have a concern about the request for \$10 billion in funding for which no specific programs have been identified. The Department of Defense has indicated that these funds will be needed for continuing military operations, including Operation Enduring Freedom, in fiscal year 2003. At this point neither the Congress nor the Administration is in a position to determine how much funding will be needed for such purposes. The additional funding required to support military operations in fiscal year 2003 could be more or less than the amount proposed.

It would be unprecedented and, in my view, unwise for Congress to authorize and appropriate a large account for unspecified military operations. Therefore, I believe that Congress should hold in reserve the \$10 billion requested by the Administration for conducting the war on terrorism in fiscal year 2003 but for which a specific purpose has not yet been identified. Congressional action should be required for the release of such funds, but only after a request identifying the specific purposes for which the funds would be used.

With respect to fiscal years after 2003, the administration's budget requests no real growth in fiscal year 2004, an additional 7% real increase over the remaining years of the Future Years Defense Program, and no real increase after fiscal year 2007. It also appears to include approximately \$10 billion in each year beyond fiscal year 2003 for programs described as related to the "cost of war". At this point I do not know how long the war on terrorism will continue, or in what form. For this reason it is too soon to make long-term decisions on whether additional funds for the cost of the war will be needed for as long as ten years, or on the specific level of resources that will be needed for national defense in the future. I believe that the significant funding increases requested for fiscal year 2003 make it even more important that business process reforms such as the upcoming base closure round, acquisition reform, and improved financial management be vigorously imple-

mented by the Department of Defense. Such reforms could free up additional resources that will be needed to modernize and transform our armed forces to meet the threats of the new century while at the same allowing us to continue to attract and retain quality people in the military services and maintain realistic training and high readiness levels.

With respect to direct spending programs, in light of the strong support in the Senate for reform of the statute prohibiting concurrent receipt of military retirement and veterans disability compensation, I also recommend that the Budget Resolution provide a sufficient mandatory spending allocation for the Armed Services Committee to permit enactment of legislation providing full funding of these benefits.

I look forward to working with you on a Budget Resolution for Fiscal Year 2003 that provides the necessary funding to protect and advance our national interests.

Sincerely,

CARL LEVIN,  
*Chairman.*

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U.S. SENATE,  
COMMITTEE ON ARMED SERVICES,  
*Washington, DC, March 5, 2002.*

Hon. KENT CONRAD,  
*Chairman.*

Hon. PETE V. DOMENICI,  
*Ranking Member, Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: In accordance with your request, I am forwarding my recommendations for the fiscal year 2003 budget resolution.

During his State of the Union address on January 29, 2002, President Bush stated that the budget he would send the Congress would reflect his belief that, "Our first priority must always be the security of our Nation." I strongly support this priority of our President, particularly as it pertains to homeland security. To accomplish this priority, the President established broad goals for America, which included winning the global war on terrorism, and protecting our homeland and our citizens from further attack. The fiscal year 2003 defense budget and Future Years Defense Plan (FYDP) which the President submitted to the Congress in February clearly supports these priorities and goals with significant increases in defense expenditures. I think we would all agree with the President's statement that, "While the price of freedom and security is high, it is never too high."

I strongly support the fiscal year 2003 defense budget request of \$379 billion in budget authority, which represents the largest increase—\$48 billion over the fiscal year 2002 appropriated level—for the Department of Defense in two decades. Following the most devastating attack on our homeland in history, with our Nation at war, it is essential that the Congress stand together with our President and provide our men and women in uniform the resources they need to successfully win this war and prepare for the many challenges ahead.

It should be noted that almost half of the \$48 billion increase—\$19.4 billion—it specifically to pay for the costs of the global war on terrorism, both at home and abroad. Included in the \$19.4 billion for the cost of the war is a \$10 billion contingency war reserve fund to pay for the anticipated fiscal year 2003 costs associated with the war. In my view, this \$10 billion war reserve is a critical part of the President's Budget request, which will give the President and the Department of Defense the resources and flexibility they need to decisively fight the war on terrorism, both at home and abroad. This also sends a strong signal to all concerned of America's commitment.

Given congressional oversight responsibilities and the power of the purse, I plan to work with my colleagues to seek a mechanism to ensure that the Congress is fully informed of how these contingency funds are expended.

I am concerned that any failure on the part of the Congress to provide adequate funding for this ongoing war—both this year and throughout the FYDP—could be seen by terrorists and nations around the world as a weakening of the U.S. long-term commitment to fight terrorism. The terrorist threat is real, and growing. The funding we provide must be adequate to show our resolve to counter and defeat this threat, whatever it takes. In his State of the Union address, President Bush clearly stated, "Our war on terror is only beginning . . . Tens of thousands of trained terrorists are still at large and we must pursue them, wherever they are. So long as training camps operate, so long as nations harbor terrorists, freedom is at risk." It is important that we provide our President the flexibility to vigorously prosecute the war against terrorism. We cannot know, with certainty, every detail of where this struggle will take us. But we must be prepared and able to respond.

The budget request also provides significant increases for readiness, quality of life improvements for our uniformed personnel and their families, and modernization initiatives. The \$379 billion request includes a \$2.7 billion increase for military and civilian pay raises; a 3% real increase in operations and maintenance accounts; a 9% real increase in R&D accounts; and a 15.5% real increase in critical procurement accounts, resulting in total defense procurement of over \$70 billion. In the war in Afghanistan, the military has used high-tech sensors and precision-guided munitions already in its inventory. This budget includes the resources to replenish and expand these inventories. At the same time, the budget request funds investment in new technologies to take us beyond current capabilities—it includes funds for missile defense, unmanned ships and planes, and space surveillance systems. The \$48 billion increase the President is requesting clearly continues the momentum needed to improve the Department's ability to perform its mission of protecting our Nation and its people.

While I support the President's budget, I do have some concerns I plan to address during the course of the Committee's review of the budget request. Despite a \$48 billion increase, this budget request does not fully address the requirements of our military, as evidenced by lists of "unfunded requirements" submitted by the Services which are in excess of \$23 billion.

I believe it is clear that the \$379 billion in budget authority requested by the President for the Department of Defense (051), with an appropriate outlay funding level, is the minimum amount that should be included in the fiscal year 2003 budget resolution. The amount for the National Defense function (050) should be \$396.8 billion for fiscal year 2003.

While the proposed budget includes funding for a number of critical quality of life initiatives, the issue of “concurrent receipt” remains to be addressed. Last year, the Congress included a provision in the Fiscal Year 2002 National Defense Authorization Act which allows military retirees to receive full military retirement pay as well as veterans disability pay, but made that authority contingent upon “qualifying offsetting legislation.” It is time for the Congress to act to remove that contingency and provide the necessary funding.

There is overwhelming bipartisan support in the Senate and House to allow our military retirees to receive their full military retirement pay as well as any compensation for disabilities incurred during their service to our Nation. The Congressional Budget Office estimates that \$1 billion in discretionary spending and \$3.1 billion in mandatory spending are required for fiscal year 2003, and \$5.5 billion in discretionary spending and \$18.2 billion in mandatory spending are needed over fiscal years 2003 through 2007 to fund this important legislation.

I request that you include funding in the budget resolution for this important program “above” the \$379 billion in fiscal year 2003 for the Department of Defense requested by the President. If this amount is not added “above the line,” Congress would be forced to cut a number of the President’s requested initiatives and programs, contained in his budget submission, to fund this hard-earned benefit.

I look forward to working with you on a Budget Resolution for Fiscal Year 2003 that fully supports our strong national defense and provides the resource necessary to fulfill the critical mission our President has established—“To make sure our country is safe from further attack.” We owe our Nation no less.

With kind regards, I am  
Sincerely,

JOHN WARNER,  
*Ranking Member.*

Attachment.

*Ten Year Projection (050) Defense\*—Total New Budget Authority (\$B)*

Fiscal year:	
2002 .....	350.7
2003 .....	396.8
2004 .....	405.6
2005 .....	426.6
2006 .....	447.7
2007 .....	469.8
2008 .....	482.5
2009 .....	495.5
2010 .....	509.0
2011 .....	522.8
2012 .....	537.0

\* FY02 does not reflect inclusion of any supplemental funding.



U.S. SENATE,  
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS  
*Washington, DC, March 4, 2002.*

Hon. KENT CONRAD, *Chairman.*

Hon. PETE V. DOMENICI, *Ranking Member,*  
*Committee on the Budget, Washington, DC.*

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

SECURITIES AND EXCHANGE COMMISSION

The Banking Committee is committed to providing the Securities and Exchange Commission (SEC) with the ability to pay its employees on a par with the employees of the Federal banking regulators. Early in the 107th Congress, the Committee, in legislation reducing SEC fees, included provisions to enact pay parity. The Competitive Market Supervision Act (S. 143) was the subject of a Committee hearing on February 14, 2001, and was marked up and reported out of Committee on March 1, 2001. The Senate on December 20, 2001, passed H.R. 1088, the Investor and Capital Markets Fee Relief Act, which would accomplish these purposes.

While this problem was addressed in principle when the President signed the bill into law (Pub. L. No. 107-123) on January 16, 2002, the SEC must have enough money to exercise that authority and pay employees on a par with those of other agencies. It should be able to do so without having to cut back on the number of authorized employees. However, the President's budget request does not contain the funds to actually pay the employees at increased levels. We support budget authority to fully fund pay parity for the SEC.

In addition, the Committee is concerned that the SEC have adequate financial resources to effectively perform its mandate to protect investors and assure the integrity of the securities markets. Healthy securities markets are essential to keeping our economy strong, and the Commission has a central role to play in assuring the integrity of the markets on which the critical element of investor confidence depends. In effect, a chain links the trust of the ordinary investor to the vigor of our economy; it is the responsibility of the SEC to keep that chain unbroken.

The Commission is addressing many important issues involving investor protection, accounting, market regulation, disclosure and other matters facing the securities markets and needs adequate resources to deal with them. Among these are the concerns raised by the failure of Enron Corp. and the role of accountants, securities analysts, and rating agencies, which threaten public confidence in the securities markets. Some have called for the Commission to take a more active role in regulating the accounting profession. However, the Commission lacks the resources to do so. When asked at a press conference on January 17, 2002, why the Commission is not taking a more active role overseeing the accounting profession, Chairman Pitt responded, "there's an awful lot that has to be done, and we would need hundreds—if not more—staff people and many

more tens of millions of dollars to fund this out of the public's monies." The Commission's budget resources have not kept pace with the growth in the markets. For example, over a ten-year period the number of Commission disclosure review staff has remained stationary, while the value of public offerings nearly tripled; the dollar volume of securities transactions on exchanges and over-the-counter has increased at an annual rate of over 35%, while the number of Commission staff has increased at a rate of less than 4%.

The Committee is also concerned that the SEC's resources have been spread too thin. This concern is hardly new. Twenty years ago, at the nomination hearing of Chairman-designate John Shad, I pointed out that the private sector often bears the burden of inadequate SEC staffing, since initiatives must be put off when decisions are delayed.

And fifteen years ago, speaking from his vantage point as a private citizen, Harvey Pitt observed to the Senate Banking Committee that lagging pay scales were making it increasingly difficult for the Commission to attract young and talented lawyers graduating from law school, and to retain its professional staff members after investing in their training and professional development.

The President's request for the fiscal year 2003 budget does not provide sufficient funds for the Commission to hire the necessary staff to effectively address developments in the market and to pay the staff appropriately. This is necessary to protect the integrity of the markets and maintain the public confidence. Former Commissioner Bevis Longstreth once described the Commission as "a jewel among government agencies." It has never been more urgent than it is now for the Commission to maintain that high standard.

On February 12, 2002, the Senate Banking Committee held the first in a series of oversight hearings on the topic of "Accounting and Investor Protection Issues Raised by Enron and Other Public Companies." The witnesses were five former Chairmen of the Securities and Exchange Commission: Roderick M. Hills, Harold M. Williams, David Ruder, Richard C. Breeden, and Arthur Levitt. These former Chairmen were unanimous about the need for additional resources for the SEC and the urgency for pay parity with other financial regulators, as provided in the "Investor and Capital Markets Fee Relief Act" (PL 107-123). The fee reduction provisions of this legislation were implemented immediately upon the signature of the President, but, unfortunately, the pay parity provisions require additional funds, none of which were included in the Administration's budget request for the SEC in Fiscal Year 2003.

The Committee feels strongly that at a time when the Commission is being called upon to confront some of the most difficult law enforcement, market structure, and accounting issues that have ever faced this Nation, and to do so in a prudent, forceful yet timely manner, it is of critical importance that the SEC be able to attract and retain talented and experienced staff.

#### HOUSING PROGRAMS/HUD

The Committee has undertaken a thorough review of housing needs among low-income Americans, and has heard considerable testimony that the housing needs in this country continue to grow. In hearings held late last year, these needs were clearly laid out

before the Committee. It is estimated that almost 5 million extremely low-income households, those whose incomes are under 30% of the area median income, have worst case housing needs. These families pay over half of their income in rent or live in substandard housing. If all households are included in this measure, 14 percent of American families would be considered to have worst case housing needs. The Committee is concerned that without adequately funded and effective housing programs, many of these families face losing their housing. The significant gap between the wages of low-income workers and housing costs makes evident that housing assistance is necessary for many working families. On average, a family in this country needs to earn over \$13 an hour to afford a modest 2-bedroom apartment. This is over two times the minimum wage. In some high-cost areas, a family would need to have three or four full-time minimum wage earners to afford a 2-bedroom apartment.

Based on the data and information presented to the Committee, it is clear that a substantial commitment to Federal housing programs is necessary. The Committee believes that an adequate budget for HUD programs is essential. The Administration's budget proposal for fiscal year 2003 unfortunately funds most HUD programs at the FY2002 level. While the Administration's budget shows an increase in budget authority for FY2003, this increase in budget authority does not expand housing programs or serve additional families, but is needed to renew contracts in the Section 8 program. Much has been made of the rising costs of Section 8. However, as you know, long-term Section 8 contracts are expiring and being renewed on one-year terms. As a result, budget authority has risen each year to reflect the annual renewals. However, outlays have remained relatively steady. Some small number of incremental Section 8 vouchers have been added to this total in the past several years. The Section 8 program serves 1.4 million households, and funding for all renewals is necessary to ensure these families can remain in their homes.

Given the testimony presented before this Committee about the number of families in need of housing assistance, we believe that the level of funding in the Administration's proposed budget is not adequate to ensure the programs operate effectively and are serving families in need. One area of great concern is the proposed cut of \$417 million from the Public Housing Capital Fund. Public housing assists over 1.3 million of this nation's neediest families. A cut to the Capital Fund, the fund used to modernize and repair public housing, will mean that roofs and boilers go unrepaired, and that more families will live in substandard housing.

The Administration has proposed a change to the way public housing agencies fund their capital needs, by allowing housing agencies to mortgage their properties in order to finance capital repairs. While this idea might generate private funds for public housing, we are concerned with some aspects of this proposal. We will work with the Administration to address these concerns.

The Administration argues that this new initiative will decrease the need for Capital Funds next year. However, we strongly believe that the new legislative proposal for funding capital repairs must be viewed as a separate issue from the funding the Capital Fund receives in fiscal year 2003. The new proposal will not affect the

needs of housing agencies in the next few years. Capital needs in public housing grow by \$2.3 billion every year, and an independent consultant has estimated that the backlog of needed capital repairs is over \$20 billion. Any cut in the Capital Fund will result in the further deterioration of this nation's public housing stock. In addition, legislation implementing the Administration's plan has not yet been considered, and even if it is passed by the start of the next fiscal year, public housing agencies will not be able to take advantage of the program soon enough to lower the need for Federal capital funds in FY2003. Therefore, we believe that the budget should fully fund the Capital Fund at \$3 billion, the amount the Capital Fund received in FY2001. We want to underscore the importance of preserving affordable housing, such as public housing. Maintaining existing affordable housing ensures that families are not displaced, and protects the Federal investment made in this housing.

In addition, as witnesses in testimony before this Committee have reiterated, additional resources for the construction of new rental housing for extremely low-income families are needed. In the past decade, the number of units available to extremely low-income renters has dropped by 14%, a loss of almost a million units. The Committee is concerned that without additional Federal resources for affordable housing production, the need for affordable housing will surely not be met.

We believe that additional funds may also be necessary to help families who receive housing assistance find decent, safe and affordable housing. The Committee will be looking at ways to improve the utilization of Section 8 vouchers. In some areas, families who receive voucher assistance are unable to find suitable housing that can be afforded with a voucher. In these cases, housing counseling, landlord outreach and other forms of search assistance may be necessary. A modest increase in funding may be needed to address these issues in the voucher program.

The Committee will continue to examine the housing needs in America and how HUD programs can work to meet these needs. In addition, we will continue to conduct oversight into the Department's operations to ensure that housing and community development programs are effectively assisting families and communities in need. We are concerned with the current reorganization efforts at HUD, which have occurred with very little Congressional knowledge or input. HUD has faced significant management challenges in the past, and in an effort to address these problems, a number of independent offices were established, such as the Real Estate Assessment Center and the Office of Procurement. These offices were specifically designed to separate program and oversight functions, and their independence was critical in helping HUD make progress, as found by the General Accounting Office and the National Academy of Public Administration. HUD recently moved these offices so they are no longer independent and do not report directly to the Secretary. We will be conducting oversight to ensure that such changes do not impede the progress HUD has made over the past few years.

#### FEDERAL TRANSIT PROGRAM

Through the Federal transit program, the Federal government supports states and localities in their efforts to develop multimodal

transportation systems that meet the mobility needs of their communities. In 1998, Congress passed the Transportation Equity Act for the 21st Century (TEA-21), which reauthorized the Federal highway and transit programs. TEA-21 authorizes total transit funding of \$41 billion and provides for guaranteed levels of transit funding in each of the six years of the authorization. The Committee will conduct oversight hearings on the transit program this year in preparation for the reauthorization of TEA-21 in 2003.

The Committee believes that the Federal transit program should be funded at or above the FY03 guaranteed level of \$7.2 billion. The Committee also supports the continuation of the guaranteed funding firewalls through FY03 and beyond. Strong investment in our nation's transit systems is critical to our ability to restore America's economic growth, and is especially indispensable to our efforts to sustain and revitalize our metropolitan areas. Safe and efficient transit systems provide significant benefits both to transit riders and to others in the community, including employers, property owners, and automobile drivers. Moreover, the transit industry employs almost 400,000 workers.

Transit ridership has increased twenty-one percent over the last five years. Robust support for transit is essential in light of this increasing demand. The U.S. Department of Transportation estimates that an annual investment of \$10.8 billion to \$16 billion (in 1997 dollars) is needed to maintain and improve transit systems' condition and performance.

The President's budget proposes two new initiatives—the New Freedom Initiative and environmental streamlining efforts—which would be funded through a take-down from the Formula Grants Program. The Administration has not yet submitted authorizing legislation for these initiatives. The Committee has concerns about paying for these new initiatives out of funds already dedicated to existing programs.

#### FIRST ACCOUNTS INITIATIVE

This year, the Committee's agenda includes examination of solutions for increasing access to affordable and convenient financial services for the millions of Americans who currently lack a relationship with an insured depository institution. Numerous studies show that a lack of access to affordable banking services makes it difficult for individuals to establish traditional credit and limits their ability to access other financial products that help build wealth. The Committee is working closely with the Treasury Department on implementing the "First Account" initiative which was proposed by the Treasury in early 2000 to address the problems faced by the "unbanked." The initiative will support the development of innovative pilot programs to extend the benefits of an account in a Federally-insured financial institutions to low- and moderate-income Americans who cannot afford or lack convenient access to banking services and do not qualify for the Electronic Funds Transfer program. By reducing the cost to the depository institution of establishing low-cost accounts and providing by grants to be used for financial literacy, the initiative will help many lower-income consumers avoid being victimized by fringe financial institutions and predatory leaders.

Congress appropriated \$10 million for FY 2001 for the First Accounts initiative and the Treasury Department has made substantial progress in developing and implementing the program. Unfortunately, the President's proposed budget would allocate only \$2 million for the initiative in FY 2003. In order to have a real impact on the lives of the estimated 10 million low- and moderate-income families that do not have bank accounts, it is essential that funding for First Accounts initiative be increased. We will work closely with the Appropriators to ensure adequate funding for this important initiative. First Accounts is a modest effort to develop opportunities for low- and moderate-income Americans to become part of the economic mainstream. The benefit will not only extend to lower-income Americans but to the financial institutions with which they do business and to our society as a whole.

#### COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Many low-income individuals lack access to capital and affordable basic financial services that enable them to fully participate in the economic mainstream. As a result, their communities suffer from disinvestment and a proliferation of fringe financial entities that engage in predatory and abusive practices. Community Development Financial Institutions (CDFIs) have played an important role in stimulating economic development and transforming distressed communities across this nation. CDFIs create new economic opportunity for many businesses, individuals, and institutions that have been ignored by traditional financial institutions by successfully expanding the availability of credit, investment capital, and financial services.

In 1994, a bipartisan Congress enacted legislation creating the Community Development Financial Institutions Fund. The CDFI Fund provides relatively small grants of capital to institutions that serve distressed communities and low-income individuals. The Fund's activities leverage private-sector investments from banks, foundations, and other funding sources. Since the Fund's creation, it has more than \$534 million in awards to community development organizations and financial institutions.

The President's proposed budget of \$68 million for FY 2003 is inadequate for the CDFI Fund to continue to effectively carry out its mission. While applications for grants continue to increase every year, we have witnessed a disturbing trend in budget requests from the Administration. The proposed budget for FY 2003 represents a \$42.4% drop from the \$118 million Congress approved for FY 2001 and equals that requested for FY 2002 although Congress appropriated \$80 million for this fiscal year. The proposed budget appears inconsistent with the Administration's commitment to improving the availability of credit and services in underserved communities. The CDFI Fund has proven that government and the private sector can work together successfully to help to infuse capital and investments in some of the most distressed communities across the nation. We will work closely with the Appropriators to increase the budget for this important agency.

#### NATIONAL FLOOD INSURANCE PROGRAM

The President has submitted several proposals for changes in the National Flood Insurance Program (NFIP). The Committee is con-

cerned that these changes could result in significantly higher premiums that would place a substantial burden on policyholders, who may not be able to reduce their risk or move without significant mitigation assistance from FEMA. Any change in the premium structure should be undertaken only after careful consideration.

The President requests \$300 million for the Flood Map Modernization Fund. The Committee supports this request. Accurate flood maps are necessary to prevent loss of life and property and to reduce costs to the NFIP and disaster assistance funds. FEMA's flood plain maps are outdated and in serious need of modernization. According to FEMA, there are at least 2,700 flood-prone communities that are currently unmapped. Furthermore, 38% of FEMA's flood maps are over 15 years old, and another 23% are between 10 and 15 years old. FEMA estimates that modernization of their map inventory would help avoid an estimated \$26 billion in flood damage over a 50-year period by providing accurate data for siting new construction and retrofitting existing buildings.

Sincerely,

PAUL S. SARBANES,  
*Chairman.*

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U.S. SENATE,  
COMMITTEE ON ENERGY AND NATURAL RESOURCES,  
*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD, *Chairman.*

Hon. PETE V. DOMENICI, *Ranking Republican Member,  
Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR SENATORS CONRAD AND DOMENICI: This letter sets forth the views of the Committee on Energy and Natural Resources on the budget for fiscal year 2003, in response to your letter of February 4, 2002 and in accordance with the requirements of the Budget Act.

As you know, the Senate will soon begin debating comprehensive energy legislation to reduce our dependence on foreign oil, increase domestic energy production, improve energy efficiency, and strengthen energy research and development programs. The legislation is likely to have significant budgetary effects, which will need to be reflected in this year's budget resolution.

In addition, the President has recommended development of a nuclear waste repository at Yucca Mountain, Nevada, and we believe the Senate will soon be called upon to approve his recommendation. Development of the repository will require significant spending increases for the Department of Energy to build and operate the repository.

The Committee continues to support full funding of programs under the conservation spending categories added to the Budget Act in 2000. In addition, the Committee continues to believe that payments in lieu of taxes should be fully funded, even though it is not fully funded under the conservation spending categories.

The Committee is also likely to consider legislation to increase the borrowing authority of the Bonneville Power Administration, to fund community-based restoration projects within the National Forest System and on public lands, to address California water and environmental issues, including the Calfed Bay-Delta Program, and

to settle water claims in Arizona. While the budgetary effects of these measures are uncertain at this time, they are likely to be significant, and will need to be reflected in the budget resolution.

We appreciate your consideration of our views and look forward to working with you and your Committee on the FY 2003 budget.

Sincerely,

FRANK H. MURKOWSKI,  
*Ranking Republican Member.*

JEFF BINGAMAN,  
*Chairman.*

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U.S. SENATE,  
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,  
*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD, *Chairman.*

Hon. PETE V. DOMENICI, *Ranking Member,*  
*Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: In response to your letter of February 4, 2002, we have prepared the following views and estimates for programs under the jurisdiction of the Committee on Environment and Public Works. As in previous years, a brief summary of the Committee's legislative initiatives also is included.

#### LEGISLATIVE INITIATIVES

The Committee on Environment and Public Works will work on a number of legislative initiatives this year. The Committee expects to report the following bills:

1. A multi-pollutant legislative initiative that will result in lower emissions for key pollutants from power plants;

2. Legislation that provides additional funds for drinking water and wastewater treatment infrastructure needs. We have recently introduced a bill, S. 1961, that authorizes an additional \$35 billion for FY 03–07 to increase funding to State revolving funds for use in meeting these needs;

3. The Committee will work toward the development and passage of a Water Resources Development Act (WRDA) in 2002. The last WRDA was passed in 2000. This legislation will continue to support the authorization of important Corps activities;

4. The Committee will begin the process of reauthorizing the Transportation Equity Act for the 21st Century (TEA–21). The next six-year authorization bill will actually be acted on by the Committee during the first session of the 108th Congress;

5. Legislation to reverse the reduction in highway funding proposed by the administration for FY 03. The Highway Funding Restoration Act, S. 1917, sets the spending level for highways in FY 03 to not less than the level authorized in TEA–21 (\$27.7 billion);

6. Legislation to provide new tools and increased resources to States and the Environmental Protection Agency to bring underground storage tanks into compliance with the Solid Waste Disposal Act. A bill currently awaiting action by the Committee, S. 1850, authorizes \$25 million in general revenues and \$385 million from the Leaking Underground Storage Tank Trust Fund (LUST) in FY 2003. The total authorization for FY 03–07 is \$1.155 billion



(\$125 million from general revenues and \$1.030 billion from the LUST trust fund); and

7. Legislation to expand the Department of Commerce's Economic Development Administration's (EDA) efforts to provide assistance to projects that redevelop brownfield sites.

#### SPECIFIC DISCRETIONARY PROGRAMS

##### *1. Environmental Protection Agency*

The President requested \$7.724 billion in discretionary spending and 17,648 Full Time Equivalents (FTE) for the EPA's FY 03 budget. This request represents a \$283 million or 3.5% reduction from the FY 02 enacted level of \$8.007 billion and an increase and an increase of 3 FTE. The request reflects \$107.1 million in additional benefits contributions in FY 03 and, for comparison sake, includes \$103.6 million in additional benefits contributions for FY 02.

The request for EPA's operating program is \$4.056 billion, a \$71 million or 1.8% increase in spending from the FY 02 enacted level of \$3.985 billion. EPA's operating program includes most of the agency's research, regulatory, partnership grants, enforcement program, and new responsibilities associated with homeland defense.

In FY 02, the EPA allocated \$12.5 million in base resources to homeland defense and received an additional \$175.6 million in resources in an FY 02 supplemental. In FY 03, the President allocates \$9.4 million in base resources to homeland defense and requests an additional \$124 million in new investments. In summary, \$133.4 million or 1.7% of EPA's proposed budget would be allocated to homeland defense.

##### *Brownfields and Superfund*

The Committee strongly supports the Administration's request for \$200 million for the brownfields program, an increase of \$102 million or 104% from the FY 02 enacted level. The brownfields program will provide \$29 million in funding and technical support for 74 new assessments and 52 existing assessments. About \$30 million will be used to support assessment and cleanup of petroleum contaminants in 50 brownfields communities. The Agency also will provide \$50 million for States and Indian tribes to establish or enhance their response programs.

The Superfund program is proposed to be funded at \$1.293 billion, an increase of \$3.5 million over FY 02 enacted levels. However, the budget request for the superfund program declines by \$72 million compared to FY 02 enacted levels when the transfers to the Inspector General and Science and Technology accounts are made.

The Committee notes that for the first time over 50% of the Superfund program will be funded by general revenues, and the Administration is projecting that this level will rise rapidly as the Superfund Trust Fund is nearing depletion. The Committee understands that EPA is increasingly targeting the cleanup of more complex sites, however, the Committee is concerned that sufficient funds be available to address the backlog of existing Superfund site cleanups and the cleanup of newly declared Superfund sites.

### *State Revolving Loan Funds*

The President's budget request includes \$1.212 billion for States and Tribes for the Clean Water State Revolving Fund (CWSRF), a reduction of \$138 million or 10% from the FY 02 enacted level. The Drinking Water State Revolving Fund (DWSRF) is requested at \$850 million, the same as enacted in FY 02. The Committee supports spending levels for both SRF's at levels not less than those enacted in FY 02 and would urge the Budget Committee to support the levels contained in S. 1961.

For the Clean Water SRF, S. 1961 would increase spending to \$3.2 billion in FY 03 and FY 04, \$3.6 billion in FY 05, \$4 billion in FY 06 and \$6 billion FY 07. For the Drinking Water SRF, funding would rise to \$1.5 billion in FY 03, \$2 billion in FY 04 and FY 05, \$3.5 billion in FY 06 and \$6 billion in FY 07.

The Committee notes with some concern that the Administration's budget proposal assumes that by FY 06 the CWSRF will no longer need Federal assistance and will provide \$2 billion in average annual financial assistance. The Committee believes that this level of financial assistance will not be adequate given the estimated \$300 billion to \$1 trillion backlog in local clean water projects.

### *2. Federal Highways*

The Committee is strongly in favor of increasing the FY 2003 Federal-aid highway obligation limit to at least \$27.746 billion, the level set in TEA-21. The President's budget proposes to reduce FY 2003 highway funding by \$4.369 billion to reflect a negative Revenue Aligned Budget Authority (RABA) calculation. The Revenue Aligned Budget Authority mechanism was created in TEA-21 to ensure that spending from the highway account of the Highway Trust Fund would correspond to revenues into the trust fund. The President's budget provides \$23.2 billion for highways, down sharply from \$31.8 billion in the current fiscal year. In addition to providing this additional funding under function 400, the Committee would like to work with the Budget Committee to ensure that a mechanism is in place to maintain the FY 2003 highway and transit budgetary firewalls if no statutory discretionary spending cap is implemented.

The Committee feels very strongly that budget firewalls for highway and transit spending continue to be in place and will work closely with the Budget Committee to ensure that any legislation that extends the statutory discretionary spending cap also extends the transportation firewalls.

### *3. Department of Interior*

The budget request for current appropriations for the Fish and Wildlife Service is \$1.3 billion, \$8 million over the FY 02 enacted level. Including the permanent accounts the budget request is \$1.9 billion, the same level as enacted in FY 02. In FY 03, the Refuge System will celebrate the centennial of its creation by President Theodore Roosevelt. With a projected 40 million annual visitors in FY 03 and a substantial operations and maintenance backlog, the Committee strongly supports the Fish and Wildlife Service's \$56.5 million increase in the budget for the National Wildlife Refuge System.

The Committee is also supportive of the increased funding levels for the Candidate Conservation Program, the Landowner Incentive Program, and Private Stewardship Grants. However, the Committee is concerned about a proposed \$25 million decrease in State and Tribal Wildlife Grants. Also, given that funding for these programs will be derived through the Land and Water Conservation Fund (LWCF), the Committee supports full funding for the LWCF.

Given the poor state of the nation's fish hatcheries, the Committee is concerned about the President's proposed cut of \$5 million from FY 02 enacted levels in hatchery operations and maintenance. The Committee is also concerned about the projected cuts in the Fish and Wildlife Service's construction, land acquisition, the Cooperative Endangered Species Conservation Fund, and neotropical migratory bird grants, as this will have an impact on the multinational species conservation fund.

#### *4. Federal Emergency Management Agency*

The President's budget includes a new \$3.5 billion First Responder Initiative. The initiative will nearly double the agency's FY 02 budget. FEMA's Office of National Preparedness will administer the new initiative. The Committee applauds the President's decision to allow FEMA to administer the initiative. The Committee looks forward to working with FEMA to establish a distribution formula that will recognize the need for terrorism preparedness in all areas of the country.

The President's budget also establishes a competitive \$300 million grant program for hazard mitigation to replace the existing post-disaster mitigation program. The Committee anticipates an active dialogue with the agency to ensure that the new grant program does not work to the detriment of small, less populous states.

#### *5. U.S. Army Corps of Engineers (Civil Works)*

The President's request for the civil works program for the Army Corps of Engineers is \$4.29 billion, a \$25 million decrease from the fiscal year 2002 appropriated amount. Of the requested amount, \$115 million is a contingent amount for full funding of Federal retiree costs further decreasing the amount available to fund Corps projects. Even though funds have been requested to complete 30 construction projects, the Committee is concerned about the continued backlog in Corps projects.

#### *6. General Services Administration (Public Buildings Service)*

The Committee supports the Administration's requested funding levels for construction, repairs, and alternations of public buildings. The President's budget request for the Public Building Service is \$6.885 billion: \$3.153 billion for rental of space; \$2.011 billion for building operations; \$986 million for repairs and alterations; \$179 million for installment acquisition payments; and \$557 million for construction and acquisition of facilities.

We appreciate this opportunity to comment on the programs within the jurisdiction of the Environment and Public Works Committee. We look forward to working with you as you prepare the fiscal year 2003 budget.

Sincerely,

JIM JEFFORDS,  
*Chairman.*  
BOB SMITH,  
*Ranking Member.*

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U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, DC, March 5, 2002.*

Hon. KENT CONRAD,  
*Chairman, Senate Committee on Budget, U.S. Senate, Washington, DC.*

Hon. PETE DOMENICI,  
*Ranking Member, Senate Committee on Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: Pursuant to section 301(d) of the Congressional Budget Act of 1974, we are submitting our views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance for Fiscal Year 2003.

*Medicare*

Medicare modernization continues to be a top priority for Congress this year. Updating the program's benefit package to include coverage for prescription drugs is one of the most important steps Congress can take to bring the program into the 21st Century. Bipartisan principles for a drug benefit should ensure that benefit options available to seniors are affordable, comprehensive, universally available and part of the Medicare program. Special attention should be paid to policies that assure access in rural and other traditionally underserved areas, guarantee continuous availability of benefit options over time, and promote cost containment.

Updating the Medicare benefit package is not the only step that Congress should consider in attempting to modernize the program, however. The Finance Committee will continue its efforts to provide regulatory relief to hospitals, physicians and other providers participating in Medicare. Legislation we introduced last year, together with Senators Kerry and Murkowski, would help make the Centers for Medicare and Medicaid Services (CMS) more responsive in its dealings with providers as well as beneficiaries.

The Medicare+Choice (M+C) program represents another area where reform is needed. The administered pricing system currently used to reimburse M+C plans should be replaced with a more rational payment system. More specifically, payments to plans should be made on a competitive basis that would provide a more predictable and stable payment mechanism for plans. Plans should be neither advantaged nor disadvantaged relative to payments made on behalf of beneficiaries in the fee-for-service program. Further, any reforms to the M+C program should implement comprehensive risk adjustment, thereby ensuring that payments to plans that enroll

healthier or “sticker” than average beneficiaries are adjusted accordingly.

The Finance Committee is concerned about the long term financial stability of the Medicare program, which will be tested as the number of beneficiaries doubles over the next thirty years when the baby boom generation retires. We support efforts to improve the measurement and transparency of Medicare’s financial condition. These efforts should not undermine the current financing structure of the program, however.

The views and estimates letter we submitted last year cautioned against consideration of provider payment increases, so-called “Medicare givebacks.” Since that time, an advisory panel to Congress has recommended changes in payment policy that could increase program costs substantially—by as much as \$174 billion, according to some observers. These changes would impact virtually every provider group, including physicians, hospitals, rural providers, home health agencies, skilled nursing facilities and dialysis facilities. The Finance Committee will evaluate these recommendations for payment changes by provider type to assess their adequacy, accuracy and equity over the coming months. In doing so, the Committee will consider recent estimates by the Congressional Budget Office that Medicare outlays are expected to grow at an average annual rate of over 7.2 percent in the next decade as well as the unified budget deficit projected for 2003. The Committee’s evaluation will also take into consideration recent evidence from the U.S. General Accounting Office about the appropriateness of current-law payment levels.

Finally, the Committee remains concerned about current levels of funding for CMS. The agency’s annual appropriations have not kept pace with increases in Medicare spending or with its Congressionally-mandated workloans. Many provisions from the Balanced Budget Act of 1997, the Balanced Budget Refinement Act of 1999, the Benefits Improvement and Protection Act of 2000, and the Health Insurance Portability and Accountability Act of 1996 have yet to be implemented. Pending legislation, including proposals to reform Medicare through regulatory relief for providers and administrative reforms affecting both beneficiaries and CMS, will only exacerbate the current CMS workload and cost precious administrative dollars to implement. Moreover, the patchwork of computer systems and lack of updates to CMS’ information technology capabilities have prevented the Congress from accessing timely data to adequately determine whether Medicare appropriately pays its providers.

#### *Uninsured*

An estimated 39 million Americans were uninsured for the entire calendar year in 2000, the latest year for which official estimates are available. Although this represents a decrease of 600,000 from the previous year, the economic recession that began in March 2001 is believed to have increased the number of people without health coverage by 2.0 million. Moreover, premiums for employer-sponsored health insurance are expected to increase by more than 15 percent in 2002. As a result, 13 percent of small employers and 6 percent of large employers are considering dropping health benefits, according to a recent survey. In short, the economic expansion

of the late 1990s did little to expand health coverage, and the recent recession has substantially undermined any progress that was made.

Although there is widespread recognition that lack of health insurance coverage and the growing ranks of the uninsured is a national crisis, there is little agreement on the solutions for addressing the problem. Many believe that the best approach to expand health coverage is to build on existing public programs, such as Medicaid and the Children's Health Insurance Program, while others, including the President, advocate tax incentives as a preferred approach.

A bipartisan solution to increase health insurance coverage will involve a comprehensive approach that combines utilization of public programs and tax incentives. This approach is supported by the notion that some populations are best served by public programs, such as those with very low-incomes, people with disabilities, and others for whom employer-sponsored coverage is not an option. Other populations are better served through the provision of tax subsidies. Irrespective of income, over 80 percent of the uninsured are in working families who are either not offered insurance or turn down health benefits. Tax subsidies provide incentives for employers to offer insurance or for individuals to purchase insurance.

Another dimension of the uninsured population that does not receive as much attention, but for whom policy solutions are within reach, are those who are eligible for—but not enrolled in—public programs. Improving outreach and enrollment efforts by examining the barriers that individuals and states face in accessing public programs should be part of any legislation to expand health insurance coverage.

#### *Family Opportunity Act*

Last year, we requested, and received, a budget allocation specifically for the "Family Opportunity Act." This legislation, cosponsored by 75 members in the Senate and 214 in the House, would provide health care assistance for children with disabilities. We believe that a similar allocation should be made in the FY 2003 budget.

#### *TANF Reauthorization*

In 1996 Congress passed landmark welfare reform legislation, ending the sixty-year old Aid to Families with Dependent Children (AFDC) program and replacing it with the Temporary Assistance for Needy Families (TANF) block grant. Under TANF, aid is no longer an entitlement and states are required to move welfare recipients into work. Congress gave states substantial flexibility to achieve this goal. The 1996 reform law was one of the most ambitious domestic policy efforts of recent decades.

At this time, the Finance Committee is commencing a review of the 1996 law and its impact. We believe the program has been a success. Millions of welfare recipients have gone to work, just as we intended. We expect to use the 2002 reauthorization effort as an opportunity to build upon this success and to look for ways to improve TANF.

With this in mind, we object to reductions in current TANF funding levels. While cash assistance rolls are down, states have used

the flexibility in TANF to support former welfare recipients while they work and they should continue to have the resources to do so. In fact, additional TANF funds, particularly the restoration of “supplemental” funding to poorer states with relatively small TANF allocations, may be necessary. There is also a need to restore and improve the recently expired “contingency fund” that was intended to help states hit by severe economic downturns. Further, we believe that authorized funding levels for the Social Services Block Grant should be restored.

The Finance Committee also will review the network of work supports, including child care, transitional Medicaid, and other related programs, which help low-income families get and keep jobs. We will work together to improve this network by building on initiatives such as transitional Medicaid. In addition, the Finance Committee has jurisdiction over certain aspects of the Child Care and Development Block Grant, which also must be reauthorized this year. This program could be used as the basis to assist more families with child care.

Child support collections can be an important source of support for low-income working mothers. The President has proposed a set of policies intended to encourage states to increase the amount of these collections received by custodial parents. We plan to review these proposals and consider them in the context of TANF reauthorization.

### *Trade*

The Finance Committee will hold hearings as part of its continuing effort to vigorously oversee and ensure congressional involvement in international trade negotiations. Oversight attention will focus first on ongoing discussions aimed at concluding a new agreement under the aegis of the World Trade Organization. The Committee will also carefully oversee bilateral negotiations with Chile and Singapore as well as the development of the Free Trade Area of the Americas to ensure that congressional priorities are reflected in those negotiations.

The Committee will also continue to oversee the application of U.S. Trade laws, particularly with reference to major trade disputes involving softwood lumber and steel.

Legislatively, the Committee will work to secure Senate passage of important international trade legislation. In 2001, the Committee reported an historic expansion of the Trade Adjustment Assistance program that extends training, support, and adjustment assistance to workers, firms, and communities adversely impacted by trade. In the closing weeks of the session, the Committee also passed legislation to extend fast track negotiating authority—also referred to as Trade Promotion Authority—to the president coupled with congressional objectives for trade negotiations.

Several other important pieces of trade legislation are also on the Committee’s agenda. In the first session, the Committee reported an expansion of trade benefits to Andean countries—Peru, Columbia, Ecuador, and Bolivia—known as the Andean Trade Preference Act. The Committee also hopes to extend the Generalized System of Preferences, which expired in 2001.

The Committee hopes to win passage for this legislation in the second session and, ultimately, see it signed into law.

Finally, the Committee will also address the results of international dispute settlement proceedings. Concerns have been raised about the results of several WTO dispute settlement proceedings and the Administration may seek Senate consideration of legislation responding to recent panel decisions on the long-running dispute on the tax treatment of U.S. companies' overseas operations.

#### *Revenues*

The Finance Committee has reported or will consider legislation that addresses revenues in a number of areas.

*Energy Security.*—The Finance Committee has reported legislation to promote the production of energy from domestic sources, to reduce the consumption of energy, and to encourage cleaner production of energy.

*Economic Stimulus.*—The Finance Committee may consider legislation to provide tax relief, extended unemployment benefits, and other matters such as extension of expiring tax provisions, as economic stimulus.

*Rebuilding New York.*—The Finance Committee has reported legislation to provide tax incentives to aid in the rebuilding of lower Manhattan. These include bond incentives, a tax credit for hiring and retaining workers in the recovery zone, and depreciation and expensing rules to promote construction in New York City.

*Tax Compliance.*—The Finance Committee expects to consider legislation that will address abusive tax shelters as well as provide meaningful penalty relief and reform for individuals and corporate taxpayers.

*Pension Reform.*—The Finance Committee will review proposals to minimize reductions in retirement asset when the value of their employers' stock drops. The Committee will review proposals to increase disclosure to workers, to maximize opportunities for diversification, and to ensure fair rules on divestiture of company stock. In addition, in light of the elimination of the issuance of 30-year Treasury securities, the Committee will consider legislation to establish an appropriate benchmark for the computation of employer contributions to defined benefit plans.

*Encourage Charitable Giving.*—The Finance Committee intends to mark up legislation that will provide new incentives for American taxpayers to support charitable organizations. The Committee will review proposals such as allowing a deduction of charitable giving by individuals who do not itemize, allowing a charitable withdrawal of individual retirement accounts (IRAs), an increase in corporate charitable tax deductions and expanded treatment of charitable donations of food.

*Rural America Economic Development.*—We are both committed to promoting legislation in support of the agricultural communities that has previously passed the Senate. Such a package would help rural communities, community banks, cooperatives, farmers, ranchers, and fishermen. In addition, the Committee intends to consider other legislation related to rural economic development, including incentives for small businesses.

It would be useful if the FY2003 Budget Resolution contains language that would allow consideration of the legislative items specified above.



*Social Security*

The Social Security system is projected to run significant annual surpluses over the next decade. However, as the baby boomer generation reaches retirement, these annual surpluses will diminish and ultimately turn into deficits. The Finance Committee is committed to finding a bipartisan solution to the financial problems facing Social Security. Although developing a plan to protect and improve Social Security will be a complex and challenging task, we believe our efforts can succeed if Democrats and Republicans are willing to work together in a spirit of bipartisanship.

The non-partisan, independent Social Security Advisory Board has reported a number of significant problems with the administration of the Social Security program, particularly the Disability Insurance program (and the disability portion of the Supplemental Security Income program). For example, processing times average an astounding 970 days for moving applications to the Disability Insurance program through all layers of appeal (not including the federal courts). At Commissioner Barnhart's confirmation hearings, she promised that she would provide the Committee early this spring with a comprehensive evaluation of the way the Social Security program is administered and how much in additional resources would be needed to run the program properly. The Committee will carefully review any request for additional funds and will be prepared to request an appropriate adjustment in the Budget Resolution as warranted.

The costs of administering the Social Security program must be viewed from an even broader perspective, however. In recent years, laws were enacted that were intended to completely remove the Social Security program from the federal budget. Yet surprisingly, the costs of administering this program are required to be taken into account when determining whether the caps on all discretionary spending have been exceeded. As a result, these costs must compete with the needs of all other discretionary programs in the budget, even though the entire Social Security program is supposed to be outside the budget. If new legislation is advanced this year that extends the caps beyond FY 2002, we strongly recommend that this legislation provide an appropriate adjustment in the caps for any additional costs of administering the Social Security program as identified by the Commissioner and approved by the Committee. We also recommend that the Budget Committee give serious consideration to modifying the budgetary treatment of the administrative costs of the Social Security Administration to make such treatment consistent with the treatment of the remainder of the Social Security program.

Thank you for the opportunity to convey our views. We look forward to working with you.

Cordially Yours,

MAX BAUCUS,  
*Chairman.*  
CHARLES E. GRASSLEY,  
*Ranking Member.*

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD,  
Hon. PETE V. DOMENICI,  
*Committee on the Budget, U.S. Senate, Washington DC.*

DEAR KENT AND PETE: I write in response to your request for the views and estimates of the Committee on Foreign Relations on the budget for programs in our committee's jurisdiction. Although not all of the programs within Function 150 are in this Committee's jurisdiction, most of them are.

At the outset, let me repeat my previously-expressed view that in drafting the budget resolution, the Committee should think of function 050 and function 150 as a collective "national security budget." Both national defense and international affairs programs are essential to the nation's security, and we should fund both adequately. This was true before the tragic events of September 11, and is all the more true today as we wage the global war on terrorism.

I would also repeat a point that I made to the Committee last year: the difficulty of estimating the nation's needs for foreign affairs for a ten-year period should be underscored. Predicting the future in the field of international affairs is nearly impossible, because so many events outside of the control of the United States can affect the course of American policy, as the events of September 11 demonstrated. That said, I think we safely say that for the next decade the United States will remain the preeminent political, economic, and military power on the planet. Accordingly, in planning our foreign affairs budget for this ten year period, we should assume that our global interests and responsibilities will not shrink, but will either remain relatively constant or expand.

Against this background, let me turn to a specific discussion of the budget.

The President's budget request for international affairs in Fiscal 2003 is \$25.4 billion, which represents a 5.9 increase in nominal terms as compared to the regular appropriations provided last year. But these are not regular times, as the President has rightly emphasized. As compared to the total amount provided in Fiscal 2002, including the emergency funds provided after September 11, the budget for Fiscal 2003 results in both a nominal and real decrease in the budget. The budget thus appears to assume that we can return to the status quo ante. The international affairs budget should reflect that the current world situation has changed considerably as a result of the terrorist threat. In my view, it does not.

The Committee should assume that the base operating budget of the Department of State will need to remain at least at the current level (after accounting for inflation) over the 10 year period of the budget resolution. As I noted, our international interests are unlikely to diminish over this period; in fact, the opposite is true. In the age of globalization, with ever-increasing links in commerce, travel, and communications, it is more likely that our interests will increase. More Americans will travel overseas, and more foreign visitors will come to the United States, putting a greater demand on passport services and consular operations. Expansion of trade and commercial opportunities for American business will add to the

workload of American diplomats. The proliferation of dangerous weapons technologies will continue, forcing America to respond. And so on. In sum, we cannot reduce our overseas activities and remain a first-rate global power.

The Department of State's core operations budget request of \$3.4 billion provides (after subtracting the costs of federal employee retirement) for a \$242 million increase. A key portion of this is \$108 million for additional hiring of 399 employees. It should be emphasized that this is part of a three-year plan (begun in Fiscal 2002) to hire roughly 1,000 new employees to fill personnel shortfalls in the Department and create a "training float" so that personnel can receive training on a regular basis—as the U.S. military does. Without such a training float, officers are rushed from one assignment to another, and often do not have time to obtain important language, management, or other training. I urge the Committee to support this important objective. Many of the other major increases in the Department's budget are for facilities—including a new center for anti-terrorism training. I support these projects. The Center for AntiTerrorist and Security Training will be located near Washington, and will consolidate training in one site for the Diplomatic Security agents and training for foreign officials under the Anti-Terrorism Assistance Program, some of which is currently conducted at multiple sites around the country. It requires an investment at the front end, but will save resources and improve efficiency over the long run.

I am concerned that the Department's proposed budget for security may be inadequate given the continuing terrorist threat against U.S. missions. Despite considerable investment of resources in embassy security since the August 1998 embassy bombings, we still have a long way to go. Some 80 percent of the Department's overseas missions do not meet current security standards. Yet the President's capital budget for security projects in the State Department is reduced from \$665 million to \$608 million. Even if you include the non-security capital spending (\$50 million to design a new Embassy in Beijing), this account is essentially straight-lined. Ideally, we should have a capital account which provides advance appropriations, as was requested by the prior administration. The Department has prepared a multi-year multi-billion dollar construction plan; advance funding would maximize efficiencies and improve the speed of construction.

On the foreign operations side of the function, the Committee should assume continued funding of one of the largest portions of the budget, the assistance to the Middle East. The United States remains committed to the security of Israel, a commitment that is unshakable. The Congress must stand behind this commitment.

The Committee should also assume a continued significant commitment, over at least the next few years, to combating the drug trade in the Andean region of South America. In Fiscal 2000, the United States expanded its efforts in this region by providing over \$1 billion in funding for Colombia and her neighbors, and for U.S. interdiction programs in the region. The President is seeking to continue this program. When it was first approved, it was understood that a significant program of reducing coca cultivation and trafficking, and building alternative economic opportunities, would take several years to bear fruit. The nations of the Andean region

are all working closely with the United States, and are committed to the task of fighting drugs. We need to continue to support these allies with substantial financial and political support.

As you are aware, the HIV/AIDS crisis shows no signs of abating. United Nations Secretary—General Kofi Annan has called for an international war chest of \$7 to \$10 billion a year to fight the spread of the deadly disease. If we calculate the U.S. share of that based on the formula used to determine the amount we contribute to the United Nations, it means that we should be dedicating at least \$1.5 to \$2.2 billion a year to HIV/AIDS programs, through bilateral and multilateral programs. Yet the President's budget provides only \$1.1 billion. In addition, it is essential that the money used to combat HIV/AIDS not come at the expense of other assistance programs. It is imperative that the United States lead by example, in order to galvanize the rest of the international community to contribute to this cause. Unless we dedicate the proper resources to the Global Fund for AIDS, Tuberculosis and Malaria, and fund our bilateral programs sufficiently, valuable momentum may be lost among other donors.

I would note that the President's budget contains a significant omission—assistance for Afghanistan is listed as “to be determined.” In the donors' conference at Tokyo last year, the United States pledged \$296 million in first-year funds, which will come from FY 2002 resources. But the United States will need to follow this commitment with an additional infusion of reconstruction funds in Fiscal 2003. The United States and the international community have committed to not abandon Afghanistan, as it did after the Soviets left in 1988; we must keep that commitment. The Administration has indicated that there may be a supplemental request for Fiscal 2002 which could include funds for Afghan reconstruction. If that request does not occur, Committee should allow for additional funds in the resolution.

I urge the Committee to support a significant increase in funding for non-proliferation programs, especially those targeted at securing the raw materials and human expertise in the former Soviet Union necessary for weapons of mass destruction. For Fiscal Year 2002, through regular and supplemental appropriations, Congress provided approximately \$1.2 billion for U.S. non-proliferation programs in Russia and other Newly Independent States. But we need to do much more. A task force co-chaired by former Senator Howard Baker and former White House Counsel Lloyd Cutler recommended last year that the U.S. government “quickly formulate a strategic plan to secure and/or neutralize in the next eight to ten years all nuclear weapons-usable material located in Russia and to prevent the outflow from Russia of scientific expertise that could be used for nuclear or other weapons of mass destruction.” This visionary plan carries a substantial price tag: up to an additional \$30 billion over the next eight to ten years, which is only one percent of the estimated defense budget over this same period, but two or three times what we are spending today. But the money spent will be a bargain for the United States if we can stem the risk that weapons of mass destruction materials or expertise will spread to such hostile regimes as Iran, Iraq, or to international terrorist organizations. Increased funding for a full range of non-proliferation programs is absolutely vital to our security, which Congress should

strongly support over the ten-year period of the budget resolution, beginning in Fiscal Year 2003.

One way to lower the bill for truly safeguarding Russian weapons of mass destruction materials and expertise is to get our allies to shoulder more of this burden. Subtitle III.B of S. 1803, the Security Assistance Act of 2001 (which the Senate approved on December 20, 2001) authorizes the President to offer Russia a reduction in its Soviet-era debt to the United States (estimated to be roughly \$2.5 billion), in return for Russia's agreement to invest the proceeds in agreed programs to promote non-proliferation or democracy and the rule of law. U.S. leadership in this regard could prompt our allies to take similar actions with the far larger Soviet-era Russian debt that they hold, thus easing the financial burden that Russia might otherwise press us to bear for safeguarding its sensitive materials and expertise. No debt reduction can be offered, however, unless there is an appropriation for the amount of expected revenue loss. I urge you, therefore, to make room in the FY 2003 budget for at least \$300 million in Russian debt reduction.

The President proposes a significant increase for the Peace Corps, from \$278 million to \$320 million. This is part of a five-year program to double the number of volunteers. This objective is consistent with P.L. 106-30, which Congress approved in 1999. The Peace Corps represents the best of America, and I am confident that Congress will support the President's initiative.

Finally, I am concerned that the President's budget for public diplomacy, especially international exchanges and international broadcasting, is inadequate. Exchanges are a key instrument in our foreign policy for building goodwill around the world for the United States over the long-term. Yet the budget provides only a three percent increase for international exchanges, barely keeping pace with inflation. The budget for the Broadcasting Board of Governors falls short in two respects—it results in some reductions in current services at the three major services (Voice of America, Radio Free Asia and Radio Free Europe/Radio Liberty) and does not fund the new Afghan service of Radio Free Europe, which was authorized by Congress in the last few months. In the aftermath of September 11, we need to expand our contacts with foreign lands—to engage foreign publics, to explain American foreign policy and American values, and build support for the anti-terrorism campaign. International exchanges and international broadcasting provide an important means of doing so, and we should provide more resources for these programs. I anticipate the Committee will consider legislation in this area this year.

I appreciate your consideration of these comments as you formulate the budget resolution.

Sincerely,

JOSEPH R. BIDEN, Jr.,  
*Chairman.*

U.S. SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC, March 7, 2002.*

Hon. KENT CONRAD,  
Hon. PETE V. DOMENICI,  
*Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: I have at hand—and appreciate—your request for my views and estimates on the budget for programs within the jurisdiction of the Committee on Foreign Relations.

The President and his Secretary of State deserve commendation for having established a budget after the events of September 11 reflecting our priorities. Since our resources are not limitless, our present efforts must be focused on the identification of vital tasks that deserve being given priority in light of recent events, closely followed by the setting of priorities for the balance of function 150 tasks.

The program constituting our responses to terrorism command our vigorous support. In that struggle against terrorism, time is a critical element and the Congress must make effective use of available resources supplemented by slight increases in pursuit of successful and promising initiatives. We must not engage in a wholesale increase of funds in the hope that their expenditure will achieve the desired results. The appropriate level for the overall budget for the international affairs tasks should be equal to or slightly above the President's request.

The wisdom of our earlier efforts to modernize and strengthen our foreign affairs establishment has helped the United States to respond quickly and effectively to the present crisis. The current budget request for the Department of State's core operations, with its increase in hiring authority, appears to provide adequately for its requirements save in four categories:

(1) The Non-Proliferation and Disarmament Fund and the Export Control and Border Security Assistance function should be increased on the order of 15–25 percent in order to ensure that preventive and corrective security measures are taken as quickly as possible.

(2) The Department has not realized the success in upgrading and consolidating its classified communications infrastructure that it has begun to realize in its unclassified networks. Progress in this area is overdue and constitutes a defensive vulnerability that can no longer be tolerated. Provisions should therefore be made to consolidate the authority and provide the funding for the upgrading of the classified communications infrastructure. This process will entail an increase of \$25 million for the initial phase and follow-on efforts and should be provided in multi-year funding.

(3) The role of treaties, agreements and cooperative bodies in controlling the spread of weapons of mass destruction and keeping them from terrorist hands have risen even further in importance. However, these mechanisms cannot provide any protection in the war against terrorism by their mere existence.

The key to their utility is the process by which compliance with international commitments and obligations is verified as an essential precursor to enforcement. The verification process should be strengthened by additional funding of \$10 million per year over the present request to ensure that nations and organizations fulfill the

obligations they have undertaken in the fields of non-proliferation and arms control.

(4) The capital budget for the Department benefits from the increased efficiencies realized from recent Overseas Building Operations management changes and standardization of building design. Its current budget therefore constitutes a real increase over previous levels of funding. However, further efficiencies could be gained by funding the Department's overseas building plan for a two-year period. This would not necessarily increase the total amount of the funds devoted to building construction, but it would allow for the much more efficient use of the funds and avoid the delays attributable to funding a long-term capital plan in successive one year increments.

Many bilateral and multilateral programs hold promise of a safer, better environment in which democracies, economies and personal liberties, including religious liberties, can prosper. However, we must ensure that the participants and circumstances associated with these programs provide the basis upon which that promise can be realized before we commit our limited resources. We should have the patients and fortitude to prepare the ground before we plant the seed. Part of that preparation is done by the National Endowment for Democracy. While I have been critical of this institution in the past, it has apparently heeded these and other comments and taken effective measures to ensure that it truly fulfills the role envisaged by Ronald Reagan when he created it. It can now function as an effective tool in advancing the goals of our foreign policy. The Endowment could effectively employ an amount equal to double its present funding (\$36 million) as a frontline measure to deprive terrorist organizations of their recruiting grounds abroad, serving as a distant defense of the U.S. homeland. In order to maximize the effectiveness of such an increase, the increase should be directed to the four core grantees of the Endowment with a special focus on Central Asia, Africa and closed societies such as China, Cuba, Burma and Vietnam. There is also a strong bipartisan belief in the Committee that democracy and pluralism in other nations directly serves U.S. interests. As a reflection of this belief, the USAID Office of Transition Initiatives should be budgeted at 10 percent above the President's request for FY 2003, and sustained thereafter at that level. As a related measure, funding for the USAID center for democracy and governance should be a separate budget item and at least sustained at the level enjoyed in the last year of the previous Administration.

We should select carefully the mechanisms by which we dispense aid. Bilateral delivery increases U.S. leverage and ensures a higher degree of accountability regarding both the appropriate distribution and use of aid. This reduces the probability that aid will be diverted by an undemocratic government for the counter-productive perpetuation of state power rather than the purposes we intended. These considerations dictate that, over the ten-year period of the budget resolution, the amount of multilateral assistance provided indirectly through international organizations and programs should be kept at no more than its present absolute numerical level without inflation offsets even if there are general increases in foreign assistance.

We should continue to press for reform at the United Nations and all international organizations. I am concerned that we may be becoming complacent as the Helms-Biden reforms are implemented. Sadly, there remains much to be done. I intend to study further whether the budgets associated with these organizations are transparent and fair. Where possible, we should assist international organizations to improve their own operations and our support should reflect the considered value of their activities. In that respect, the budget should reflect a double payment of U.S. dues to the United Nations in FY '03. The U.S. should also restore the practice of paying the U.S. portion of the regular budget in January rather than October as is the current practice. This re-synchronization of payments will dramatically improve the U.N. ability to manage better its finances. Restoring this practice, which was abandoned twenty years ago, could be achieved by a one-time payment of two years of dues within the next fiscal year. A double payment was incorporated into the FY '02 Commerce-Justice-State Appropriations bill, passed by the Senate, and into the Foreign Relations Authorization Act for FY '02 and '03, reported by the Senate Foreign Relations Committee.

There are also a number of precise funding adjustments that should be incorporated in this budget. U.N. conference funding should be considered a candidate for reduction and in no event should funding be increased above its current level, given the propensity of these events to become divisive, politicized performances, such as the August-September 2001 World Conference Against Racism in Durban. Funding for international financial institutions should also remain at their present level, especially the International Development Association (IDA) of the World Bank which would require a replenishment authorization this year. The President has proposed a shift from loans to grants at the IDA. Loan resources should reflect this shift and not be returned to their previous level. The International Fund for Agricultural Development should also remain at its present level of funding. Migration and refugee assistance should be increased by up to five percent above the President's request to accommodate recent events in South and Central Asia. Funding for the Commission on International Religious Freedom should remain funded at its present level, based on the anticipated extension of the current commission sunset date of May 14, 2003. Finally, funding for the United States Institute of Peace should be decreased as part of a policy of weaning away from governmental support. The Institute has been noticeably successful in attracting private funding to the extent that it currently plans to build a headquarters on the Mall. Anticipating continued success, the Institute should be funded at fifteen percent (\$13 million) lower than last year.

There is strong bipartisan support on the Committee for a significantly increased effort to combat terrorism and the drug trade in the Andean region of South America. The expanded efforts already underway in this region should continue and can be anticipated to require additional resources for the foreseeable future. I understand that the amount of this increase will be the subject of a supplemental request by the President. In addition, the funding "fences" previously enacted to ensure the use of funds for intended purposes have proven counter-productive. The maintenance of



these fences creates artificial barriers to the efficient achievement of the ultimate goal of these programs: the suppression of narco-terrorist activity in the region and the return of the rule of law to the people of Colombia.

Assistance provided to Central Asian States should similarly dispense with any artificial distinctions between funds provided to combat drugs, proliferation, terrorism and crime, especially when the effort focuses on strengthening border security. The same measures undertaken to defeat the movement of money, drugs and weapons also will serve to prevent and detect the movements of terrorists and prohibited materials. The fencing of funds provided for these programs should be eliminated to allow the most efficient and effective use of the resources available. We also need to ensure that the cooperative programs confronting problems associated with the demise of the former Soviet Union do not deal with the Russian Federation in isolation. The roles of the other nations that have emerged from the former Soviet Union will play a critical role in the solution of these issues, especially Ukraine, Georgia and the Republic of Armenia. Fiscal earmarks should be applied to ensure that they receive the funding support that they deserve.

The President's budget provides \$1.1 billion to combat the HIV/AIDS crisis, a very substantial sum, and I applaud the President's leadership on this issue. That being said, I will continue to work with my colleagues on the foreign Relations Committee and on the Budget Committee to see what additional resources may need to be brought to bear in this fight. It is critical that foreign governments who receive our largesse to combat disease demonstrate their willingness to address the underlying causes of these epidemics by making fundamental changes in their policies.

These views and estimates represent the most pressing—but by no means all—of the adjustments that should be made to the international affairs budget. Even more than usual, our deliberations will be influenced by the development of events as we work to construct a prudent budget.

I trust that any necessary revisions will be given appropriate consideration and I look forward to working closely with you as we develop our international affairs budget priorities.

Sincerely,

JESSE HELMS.

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U.S. SENATE, COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS,

*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD,  
*Chairman, Senate Committee on the Budget, Dirksen Senate Office  
Building, Washington, DC.*

Hon. PETE V. DOMENICI,  
*Ranking Member, Senate Committee on the Budget, Dirksen Senate  
Office Building, Washington, DC.*

DEAR KENT AND PETE: I write to provide Democratic views and estimates from the Health, Education, Labor, and Pensions Committee for your consideration as you prepare the fiscal year 2003 budget.

From a budgetary perspective, as you know, we find ourselves in a dramatically different and far less advantageous position than we did one year ago. In January 2001, CBO projected an on-budget surplus of \$3 trillion dollars over the decade. One year later, the projection is for a \$242 billion deficit. According to CBO, an on-budget surplus will not reappear until FY 2010.

The Administration's proposed budget would massively expand the raid on Social Security. The Bush plan would consume \$1.464 trillion of Trust Fund revenue for non-Social Security purposes during the same ten-year period. The Administration's budget would also consume the entire \$560 billion Medicare Part A surplus.

The Administration's proposed raid on Social Security is not a temporary incursion necessitated by the recession and the war on terrorism. It is a systemic diversion of payroll tax revenue to finance general operations of government that should be funded from the income tax. The Social Security Trust Fund would be used to cover an on-budget shortfall every year through FY 2012. In essence, the tax cuts are so deep that they have transferred part of the cost of running the government to the payroll tax at the expense of Social Security.

I urge the Budget Committee to clearly reject this improper use of Social Security funds. It should also reject the additional \$600 billion in tax cuts which the Administration has proposed this year on top of those already enacted last year. Further cuts would only exacerbate the existing budget crisis, and hurt key priorities of the HELP Committee and other committees.

Whatever the merits or demerits of last year's tax bill at the time it was enacted, those circumstances clearly no longer exist. In the aftermath of September 11th, we are facing major new demands on our national resources which must take priority. We cannot both meet those demands and afford such an enormous tax cut and still meet the education, health, and human resources needs that are before the HELP Committee and the Senate.

We can and should postpone a portion of the future tax cuts enacted last year, specifically those provisions benefitting only the wealthiest taxpayers. These tax cuts are not scheduled to be made until 2004 and later. We should put them on hold until we are certain that we can afford a prescription drug benefit for senior citizens, make the needed investments in education and health care, protect Social Security and fully provide for the common defense.

We can achieve approximately \$350 billion in savings by postponing future reductions in the tax rates paid by the wealthiest taxpayers in the highest three income brackets, and by maintaining the tax on estates above \$4 million. Under such a plan, more than one trillion dollars of tax cuts would still take effect as scheduled. No taxpayer would pay a higher tax rate than he or she paid last year. In fact, income tax rates for everyone would be lower in 2002 and in succeeding years than they were in 2001.

These future tax cuts for those at the top are not part of the fight against the recession. They are not scheduled to occur until long after the economy emerges from the downturn. In fact, taking fiscally responsible action now will actually help the economy—by leading to reductions in long-term interest rates that have remained stubbornly high because of the fear that unaffordable tax cuts will lead to growing federal deficits throughout the decade. Re-

ducing that threat will reduce the cost of long-term borrowing for businesses, and provide a stimulus for new job creation now.

Such a modest reduction in future tax cuts will help us to meet our responsibility to the American people to improve education all along the continuum from birth through college, to extend better health care to more people, and to ensure that workers can find the training that they'll need to fully participate in the modern world economy. The American people have not made future tax cuts their first priority, and Congress should not either.

Further, at a time when resources are so scarce, we should not be tolerating corporate tax loopholes which allow major corporations to avoid paying their fair share of tax on their income. The Enron scandal has focused public attention anew on the serious problem of transactions undertaken for tax avoidance rather than for a legitimate business purpose. The problem extends far beyond Enron. These dubious tax shelters result in billions of dollars in lost revenue each year. The rules governing the shifting of income between a corporation's domestic and foreign affiliates need to be substantially tightened. The budget should make provision for legislation that would generate significant additional revenue from the closing of these corporate tax loopholes.

#### EDUCATION

Education should continue to be one of our top budget priorities. I am deeply concerned that for fiscal year 2003 the Administration has proposed the smallest education budget increase in more than a half dozen years. Without even considering the negative impact of inflation, the Administration's budget actually cuts the recently enacted No Child Left Behind Act, signed less than two months ago. Unfortunately, the Administration's proposed increase in Title I is funded by cuts in other essential ESEA programs. This approach will not provide America's public schools with the resources required to make real the promise of education reform. We must provide schools with additional resources if they are to prepare students to compete in the global economy and ensure that newly enacted education reforms are well implemented. Less than a \$10 billion increase in the fiscal year 2003 education budget will allow us to implement the President's school reform law at its carefully negotiated authorized levels, make a down payment on the full federal obligation to pay special education costs, and help hard-pressed families pay for college.

Because of the downturned economy and growing student enrollment, our public schools face ever greater challenges. School age child poverty is expected to grow by another 650,000 children next year. Today, Title I funding is sufficient to cover only one-third of eligible children, and the Administration's budget leaves over 6 million needy children behind in terms of Title I education support. Limited English proficient child enrollment has grown by another 300,000 children over the last year, but the Administration fails to propose even an inflationary increase in bilingual education funding. The nation will need to hire over 2 million teachers in the coming decade to cope with increases in enrollment and teacher retirement. Forty percent of all high poverty school teachers have neither a major nor minor undergraduate degree in their primary instructional field. As local communities struggle with declining prop-

erty tax receipts, the federal government continues to force them to pay over half of the federal share of special education costs. Finally, we are seeing a series of states cut their higher education budgets to balance revenue shortfalls and public college tuition is rising as a result. Ohio State University, for example, plans to raise in-state tuition for new students by 34% next year.

I believe we must increase funding of the Title I education program for disadvantaged children to its authorized level next year in order to reach “the next third” of needy children left behind and put us on a glide path to truly leaving no child behind from the promise of school reform. I strongly support increased investment in the Title II teacher quality program, limited English language learner programs, 21st Century after-school program, Star Schools, and Ready to Learn and Ready to Teach programs, and the Reading First and Early Reading First programs.

Among our top education priorities should be to fully fund the Individuals with Disabilities Education Act (IDEA) within the next six years, and to convert this to a mandatory program. After the effects of inflation are taken into consideration, it will take another 33 years before IDEA is fully funded at the rate the Administration proposes. Under the Bush budget, a 1st Grader when IDEA was first passed will be 67 years old by the time we fully fund special education. A \$2.45 billion increased commitment to IDEA this year will set us on a glide path to full funding within six years.

Finally, the Pell Grant program needs to be placed on sound financial footing and the maximum Pell Grant increased to meet the heightened need students have due to increasing college costs. Higher funding levels are needed for campus-based programs to help compensate for reduced state aid. The TRIO and GEAR-UP programs need to be expanded in order to make the dream of a college education a reality for all. Support for graduate education should be sustained so that the very best minds continue to be formally developed.

Early childhood education must be one of our top budget priorities this year. Science tells us that the roots of academic difficulty are established well before the first day of school. In the absence of intervention, children from low-income families score consistently lower on developmental tests by age 2 and the differences increase over time. Children who fall far behind before they enter school have a far more difficult time catching up. We must do more to close the gap. Well designed programs staffed with high quality teachers can enhance their learning in the early years. I am proposing an initiative that will provide federal incentives to states willing to develop and implement a state-wide system of early care and education based on inter-agency planning and community partnerships. States participating in this program will assure that the system will be built around existing agencies and programs that will continue to exist as part of a larger system. I estimate that full funding of this will be \$1–\$5 billion next year, or \$10–\$50 billion over ten years.

#### HEALTH

On health care, the Budget Committee should provide for prescription drug coverage under Medicare. The cost of an adequate benefit over the ten year budget window is approximately \$800 bil-

lion. While this is a large sum, coverage of prescription drugs is essential if Medicare is to provide promised health security for senior citizens. It should be one of our nation's top domestic priorities.

The current recession has highlighted the need to provide health care coverage for the uninsured—both through temporary measures to help laid-off workers and through longer-term solutions. In the latter category, passage of the Familycare legislation that will provide expanded coverage for low and moderate income children and their parents should be a priority. To provide for both a substantial expansion of insurance coverage for working families and temporary help for the unemployed, the budget should allocate at least \$120 billion.

It is important to fully fund the Family Opportunity Act, which specifically addresses the greatest barrier to work for families raising severely disabled children—access to a Medicaid buy-in for their disabled children's health care. For two years, Senator Grassley and I have been working on this legislation to enable families of disabled children to stay together and stay employed. No family should ever be forced into poverty or forced to give up custody of their child in order for that child to access needed health care. This bill is an investment to truly end the permanent economic recession that these American families face everyday.

Two critical health needs are enactment of legislation to end insurance discrimination against the mentally ill and to provide for a patients' bill of rights. Both bills have been passed by the Senate in various forms. While both are primarily regulatory, CBO estimates that they result in some indirect losses of revenue to the government. Because these losses are small and addressing them creates procedural difficulties, the budget resolution should provide reserve fund language that will avoid the necessity of offsetting these costs.

Providing quality health care for our senior citizens and for all citizens requires adequate payment for Medicare services. The excessive cuts in Medicare made in the Balanced Budget Act should be rescinded. Among the many areas requiring special attention is assuring that cuts in Graduate Medical Education scheduled to take effect next year are eliminated.

It is also important to invest in essential health care services, research, and public health activities which benefit the nation. I support a substantial increase in funding this year for Community Health Centers, which serve 10 million low-income and medically underserved Americans each year. NIH should receive the resources necessary to continue on the current course of doubling biomedical research over a five-year period. An adequate response to bioterrorism will require substantial expansions in funding beyond those provided in last years appropriation bills.

Proposed cuts in budget authority should be restored and additional investments be made in the Agency for Health Care Policy and Research; in the chronic disease prevention activities at the Centers for Disease Control and Prevention, such as \$50 million for increased childhood and adult immunizations; personnel training at the Health Resources and Services Administration; the regulatory responsibilities of the Food and Drug Administration; and in the Substance Abuse and Mental Health Services Administration's mental health and substance abuse services, including restoration

of the proposed 47 million cut in its Programs of Regional and National Significance. In particular, funding should be provided to address the long-term mental health needs of victims of terrorism, children who witness or are the victims of violence, and the mentally ill at risk of incarceration. Funding should also be provided for initiatives from our Committee to substantially reduce mortality and morbidity from stroke and heart seizures.

Higher funding should also be provided for treatment grants under the Ryan White CARE Act to help states provide AIDS therapies and reduce disparities in the burden of HIV/AIDS on minority communities.

#### HUMAN SERVICES

At the same time we must pursue improved quality enhancements in Federal Human Services programs such as Head Start. We must do more to ensure all eligible children have access to Head Start and Early Head Start by increasing the funding by \$1 billion next year and \$10 billion over the next 10 years. I also urge you to support funding of the Early Learning Opportunities Program by increasing the funding to \$250 million next year and \$2.5 billion over the next 10 years.

As you know, we will reauthorize the Child Care and Development Block Grant this year. Seventy-five percent of children under age five with working parents are in some type of child care. More than half of all mothers with infants are working today. Yet the average annual cost of child care in every state exceeds the cost of tuition at public universities in every state. We must do more to ensure that low-income working families who receive child care subsidies can find child care. In the wake of the No Child Left Behind Act, we can't ignore the quality of care that children receive. If we do not strengthen the quality of care, we will only exacerbate the school readiness gap that kindergarten teachers already report seeing when children arrive at school. Improving the quality of care begins with addressing the child care workforce. As part of the Child Care and Development Block Grant reauthorization, we will set aside funds for child care teacher compensation and training. To improve the quality of child care and expand the number of families who receive assistance, we estimate that we will need a \$2 billion a year increase, or \$20 billion over ten years. Additionally, I urge an increase in the quality set aside in the Child Care and Development Block Grant.

Finally, we must ensure that states that "played by the rules" during the implementation of welfare reform are not penalized for their efforts. To do this we must ensure that the TANF block grant funds are maintained at their current levels and adjusted for inflation.

In response to the current recession, state welfare programs are facing increased demand. It is particularly important that we ensure that adequate resources are there to address this need. Doing so requires not merely maintaining level funding of the TANF block grant—which was set five years ago and has eroded by nearly 30 percent in value—but that the amount of the block grant funds are increased to adjust for inflation.

I urge the Committee to provide at least inflationary increases for Older Americans Act (OAA) programs in the fiscal year 2003

budget. OAA programs provide home-delivered and congregate meals, senior center and social services, home care and a range of protective services including legal assistance and ombudsman programs. The Older Americans Act also includes the National Family Caregiver Support Program, which provides critical support for our nation's family caregivers, including respite care, information, counseling, training, and assistance in locating services. In the absence of a long-term care health benefit, the Older Americans Act provides home and community-based long-term care services for the elderly. As our population ages, OAA programs need additional funds to be able to meet the increasing demand for services. In the fiscal year 2003 budget, I strongly urge you to provide inflationary increases for Older Americans Act programs that help to meet the day-to-day needs of seniors and the long-range needs of our nation.

#### LABOR

In the current struggling economy, investments in our workforce are crucial. More than eight million workers are unemployed. Despite growing needs for unemployment benefits, low-wage workers are turned away because antiquated payroll systems fail to report their earnings. Others are denied benefits because they are seeking part-time work. Many have no pay and no unemployment insurance because they have exhausted their benefits before they could find a new job. Unemployment insurance is our nation's best counter-cyclical stimulus program, and improving it will put money into the hands of those most likely to spend it quickly. We must invest in updating our unemployment insurance system to meet the needs of the modern workforce. Specifically, we must make permanent the changes for part-time and low-wage workers that were included in the original Democratic economic recovery proposal, and ensure that benefits are extended during recessionary times.

In addition, at a time when we need to invest more in the unemployment insurance system, the Administration's proposal to devolve funding for administrative functions to the states makes no sense. It will put states in the unfair position to choose between cutting benefit levels or raising taxes. Instead, we should fully fund UI administration at \$3.7 billion.

In the current economic environment, a top labor priority must be to ensure support for Employment and Training Administration programs, including the Workforce Investment Act, by fully funding the programs at \$7,062,500,000, plus an adjustment for inflation. An economic slowdown is upon us. The number of displaced workers is rising substantially each month. Training programs are critical during such a period as workers take time to develop the skills they will need to remain productive in the modern economy. I am especially concerned that Youth Opportunity Grants are fully funded at \$225,000,000 and other youth training initiatives, particularly those that serve needy populations, be fully funded. The Senior Employment Program should also receive full funding.

We must continue to ensure the fair treatment of all workers. The budget must provide the Employment Standards Administration with the resources to fully protect the workers covered by the laws under its purview, including the Fair Labor Standards Act, the Family Medical Leave Act, and Executive Order 11246. I re-

quest at least the inflation-adjusted amount of \$396 million for the Employment Standards Administration.

The Occupational Safety and Health Administration and the Mine Safety and Health Administration must be able to continue strong enforcement and standards setting. It is particularly important that OSHA's enforcement budget be fully funded with an adequate inflationary adjustment over last year's appropriation. I recommend at least \$459 million for OSHA and \$266 million for MSHA.

The Administration's request to cut the International Labor Affairs Bureau (ILAB) by 63 percent is unacceptable. Amidst rapid globalization, the work of this office takes on growing importance. I recommend full funding for ILAB.

Thank you for your consideration of these views. I look forward to working closely with you once again this year to improve education, health, and work opportunities for all Americans.

Sincerely,

EDWARD M. KENNEDY.

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U.S. SENATE, COMMITTEE ON HEALTH, EDUCATION,  
LABOR, AND PENSIONS,

Washington, DC, March 7, 2002.

Hon. KENT CONRAD,  
*Chairman, Senate Committee on the Budget, Dirksen Senate Office Building, Washington, DC.*

Hon. PETE V. DOMENICI,  
*Ranking Member, Senate Committee on the Budget, Dirksen Senate Office Building, Washington, DC.*

DEAR KENT AND PETE: Pursuant to Section 301(d) of the Congressional Budget Act, I want to thank you for giving me the opportunity to provide the Budget Committee with the Republican views and estimates regarding the Fiscal Year 2003 budget as it affects programs under the jurisdiction of the Committee on Health, Education, Labor and Pensions.

The Committee on Health, Education, Labor and Pensions has jurisdiction over programs that make a difference in the lives of all Americans. Committee Republicans are committed to working to review and strengthen major programs under our jurisdiction eliminating redundancy where we find it, consolidating and simplifying programs, offering flexibility in exchange for increased accountability, and improving the delivery of services. We are committed to the important principle of a balanced budget, but also to policies which ensure a quality education for America's children, a safe and secure workplace for America's workers, and attainment of the American Dream for America's families.

#### HEALTH CARE

##### *Bioterrorism*

We must prevent, and be prepared to respond to, a biological or chemical attack. Congress must ensure that the Centers for Disease Control, National Institutes of Health, and Food & Drug Administration have the funds necessary to develop a coordinated defense and response plan and that emergency personnel are well-



trained and properly equipped. It is also important to ensure an appropriate quantity, quality, and variety of antibiotics, vaccines and other medical devices and supplies in the National Pharmaceutical Stockpile. We must also continue to improve hospital, state and local response capabilities, and ensure that our agriculture and food supply are protected. This year's events have highlighted unmet gaps in bioterrorism preparedness. To address this problem, short-term emergency funding expansions are needed at the Federal, State and local levels, particularly through the implementation of block grants to States for preparedness activities.

#### *Prescription Drug User Fee Act*

Congress must reauthorize and improve the Prescription Drug User Fee Act (PDUFA) this year. Thanks to PDUFA, the FDA has been able to more quickly and efficiently provide patients with the latest, most effective medicines. Congress must build on the success of PDUFA, and extend the user fee model to FDA's review of medical devices. By speeding the review process, while at the same time ensuring product safety, such a program would encourage medical innovation and provide improved access to the next generation of life saving medical devices and treatments.

#### *National Institutes of Health*

NIH should receive the final installment in the Congressional commitment to doubling the NIH budget over five years. With these added resources, adequate oversight and accountability are needed to ensure that NIH funds are allocated and research areas priorities in a manner that is appropriate for serving the health research needs of Americans.

#### *Medicare*

As the primary provider of health care services for our nation's seniors, Medicare must be preserved and improved. The Administration continues to develop a privately-run drug card program that would offer seniors between 10–30% discounts on their prescription medications. While such a program is not a substitute for a comprehensive prescription drug benefits under Medicare, it will provide seniors with immediate relief from rising drug costs. With the projected budget surplus all but gone, it is critical that Congress couple any prescription drug benefit with structural reforms that fully address Medicare's solvency. Fundamental reforms are also necessary in order to ensure that Medicare providers are fairly reimbursed for their services. This is the most responsible approach to strengthening Medicare and for giving America's seniors the coverage and benefits they need.

#### *Nursing shortage*

As the baby boomers reach retirement, a serious shortage of nurses has developed and is expected to worsen. We must continue to support grant programs administered by the Health Resources and Services Administration to increase the number of nurses and those with advanced degrees, promote diversity in the nursing workforce, and encourage nursing in underserved communities. The Senate-passed bill addressing this issue should be fully funded.

*Caring for the uninsured*

Today there are approximately 39 million Americans who lack health insurance. There has always been a significant segment of our population, the size of which fluctuates with the economy, that falls between the gaps in our fragmented, private/public health system. The current recession is expected to cause a spike in the number of uninsured and highlights the need to address this problem and to ensure that more Americans do not lose their health insurance. To this end, the budget should not include allowances for health care legislation that exacerbates the problem of the uninsured.

Instead, the budget should provide solutions that bolster and expand access to private health insurance. Ideally, the budget should provide for market-based solutions, such as the President's tax credit proposal, which would benefit the largest segment of the uninsured. About \$100 billion would need to be allocated for such a proposal, which should be accompanied by some reasonable market reforms in order to bolster the purchasing power of individuals and small groups. At a minimum, the budget should include temporary assistance for those who lose coverage as a result of the current recession, such as the House-passed health care tax credit.

We must also continue to improve and expand our nationwide network of community health centers and clinics, which provide cost-effective care and serve as a health care safety net to more than 11 million patients—many of whom are uninsured and live in underserved communities. Together with the National Health Service Corps, these programs have a proven track record of expanding access to health care services regardless of income or locality.

*Promoting healthy communities*

Congress must focus on programs that emphasize prevention and educate and promote healthy habits and lifestyles. That is why it is important that we provide \$20 million for the President's Healthy Communities Initiative, which would encourage the development of private/public partnerships to reduce the incidence of obesity, diabetes, asthma and heart disease.

*Consolidation of research*

I support the President's request to consolidate behavioral and social science research occurring throughout various Health and Human agencies to the Office of the Assistant Secretary for Planning and Evaluation (Centers for Disease Control and Prevention, Agency for Healthcare Research and Quality, Substance Abuse and Mental Health Services Administration and the Health Resources and Services Administration). This effort will cut costs while increasing coordination and efficiency.

## EDUCATION

*Early learning*

With the passing of monumental reforms in elementary and secondary education during the last session of Congress, we have taken major steps to improve the education of our students grades K–12. In order for our nation's students to take full advantage of these reforms, it is imperative that children enter school ready to

learn. We support the President's efforts to focus on early childhood development, specifically in the area of early literacy. Currently, we have several federal early childhood development programs, including Head Start, that need to better serve our nation's children. As part of the previous reauthorization of Head Start, this committee authorized the first national impact study of the program to see what is working and what is not. We are currently looking at Head Start as part of a larger examination of early learning to see what role the federal government should play in ensuring that children are ready to learn on their first day of school. We believe that improving Head Start is critical to ensuring that young children, particularly disadvantaged children, are equipped to learn.

*Elementary and secondary education*

On January 8, 2002, President Bush signed into law the No Child Left Behind Act (NCLBA). NCLBA includes the most sweeping reforms in education since 1965. NCLBA is a comprehensive overhaul of the federal Elementary and Secondary Education Act (ESEA), which was first enacted in 1965. ESEA authorizes numerous education programs and is the principal federal law affecting elementary and secondary education.

NCLBA was based on three complementary principles linked to increasing student achievement: (1) accountability, (2) flexibility and local control, (3) parental empowerment.

*Accountability.* The Cornerstone of NCLBA is annual testing in math and reading in grades 3 through 8. Annual testing will allow parents to monitor the academic progress of their child across multiple grades. The results of the testing will be made available to parents in school report cards. As a result, parents will be better equipped to judge the quality of their child's school.

*Local flexibility.* One of the primary goals of NCLBA was to give states and local communities significantly more flexibility over the management of federal dollars. Under the Act, local school districts will be permitted to make significant spending decisions on up to 50 percent of the non-Title funds, by being allowed to move these funds from account to account without federal approval. The bill includes a local flexibility program that gives 150 districts the opportunity to apply for waivers for virtually all federal education rules and requirements associated with a variety of education programs in exchange for agreeing to obtain certain levels of achievement for their low-income students.

*Parental Empowerment.* Under this bill, for the first time, the parents of a child who is trapped in a failing school will be able to take a portion of the monies available under Title I for their child and use it for private tutorial services. This tutorial support can come from public institutions, private providers or faith-based educators. A parent whose child is trapped in a failing school may also have the alternative of sending his child to another public school which is not failing and have the transportation costs paid. The bill also creates a major new expansion of the charter school initiative. Charter schools represent an opportunity for parents, educators and interested community leaders to create schools outside the bureaucratic structure of the local educational establishment and federal and state regulations.

In addition to aforementioned reforms, NCLBA:

- Targets more money on the school systems with the most needy students;
- Requires that all teachers be highly qualified by 2005 and gives school districts the necessary flexibility and funds to hire teachers, to improve teacher professional development, or to provide merit pay or other innovative ways to reward and retain high quality teachers;
- Includes language that would shield teachers, principals and other school professionals from frivolous lawsuits; and
- Reorganizes the bilingual education program so that the emphasis is now on teaching English rather than separating children who do not speak English and putting them in an atmosphere where they do not learn English. It gives parents significant new authority and information relative to where their children are being placed so the children do not end up being locked in a limited English situation.

The federal government's role in elementary and secondary education is limited, but with this law we will use that role to expand the opportunities to parents of low-income children to get quality education for their children, while giving more flexibility to the state and local school districts in using federal funds in exchange for better academic achievement.

The President coupled the significant reforms contained in NCLBA with a budget that requested historic increases in Title I—the largest federal education program for disadvantaged children.

For fiscal year 2003, the President has requested \$1 billion in new funding for Title I, which would raise the amount of money we spend on educating disadvantaged children to \$11.3 billion. This request for \$1 billion follows on the footsteps of a \$1.6 billion increase. These billion dollar increases dwarf any previous increase in Title I funding. In fact, federal funding for Title I will increase nearly as much in just the first 2 years of this Administration, as it did in all of the previous eight years combined.

In light of these dramatic increases in Title I funding and the fact that we are now experiencing a budget shortfall, it would be irresponsible to increase Title I funding, beyond the President's request.

#### INDIVIDUALS WITH DISABILITIES EDUCATION ACT

The authorization for several programs in the Individuals with Disabilities Education Act expires this year. The Committee plans to review the current IDEA law to address the problems that plague our special education system. For example, many children, particularly minority students—are misidentified for special education. Another frequent complaint we hear from many school administrators and teachers is the fact that IDEA creates a double standard when it comes to disciplining violent students, as students under IDEA are not subject to discipline in the same way as other students. Some have also expressed concerns that paperwork requirements associated with IDEA unduly burden teachers and administrators.

In addition to the Committee's review of the legislation, President Bush's Commission on Excellence in Special Education is expected to issue recommendations on improving and reforming special education in July.

When Congress passed IDEA in 1975, we committed to pay 40% of the average per pupil expenditure to offset the excess cost of educating a disabled child. Since taking control of Congress, Republicans have increased spending for IDEA, Part B, Grants to States, which funds direct services to students, by 224% and have increased the Federal government contribution of funding from 7.3% in FY 1996 to 16.5% in FY 2002. In fact, funding for IDEA has grown at a more rampant and accelerated rate than at any other time in the history of the program.

President Bush's budget proposal includes a \$1 billion increase for IDEA, for a total of \$9.7 billion request. As was true with Title I, President Bush's request for IDEA marks the largest presidential request in the history of the program. The \$9.7 billion request (\$8.5 billion designated for Part B alone), marks the highest level of Federal support ever provided for children with disabilities.

While I support full funding of IDEA, Part B, I believe that funding increases must be linked to fundamental reform.

#### TAX CREDITS

The President has proposed an education tax credit that would empower low-income parents to send their children to a high quality, safe school. Under the President's tax credit proposal, low-income parents who make the difficult decision to remove their child from a chronically failing school and enroll him in a private school, would receive a refundable tax credit to cover the cost of tuition at a private school.

The President's proposal is consistent with the reforms in NCLBA to ensure that no child is left behind. The Committee should follow his lead and continue to build on the reforms of NCLBA by looking for further avenues to expand education choice for parents with children trapped in failing schools. All parents, regardless of income, should be able to choose the safe, and good schools for their children.

#### HIGHER EDUCATION

##### *Pell Grants*

As the primary federal student aid program assisting low-income students, Pell Grants have been, and will continue to be, a priority for the Committee's Republicans. We fully support the recent increase in the maximum Pell Grant to \$4,000, and are committed to working with the Democrats to insure that the current \$1.3 billion shortfall in this program is resolved.

##### *Loan forgiveness*

The Committee's Republicans support President Bush's efforts to provide additional loan forgiveness under the FFEL Program and the Direct Loan Program for highly qualified teachers of mathematics, science, and special education serving in low-income neighborhoods. Too often schools in high-need communities have to settle for unqualified teachers in these areas. Loan forgiveness will provide these schools with a useful tool to help them recruit and retain highly qualified math, science, and special education teachers.

*Minority-serving institutions*

The Committee's Republicans commend President Bush for his commitment to minority serving institutions and support his proposed 3.5% increase in Title III funding, including increases for Historically Black Colleges and Universities, Historically Black Graduate Institutions, Hispanic Serving Institutions, Tribally Controlled Colleges and Universities, and Alaska Native and Native Hawaiian Serving Institutions. These institutions comprise a critically important part of our nation's higher education community and deserve our continued support.

*Student loan administration*

The administration of the student financial aid programs is currently funded through a combination of discretionary, mandatory, and subsidy accounts which primarily support payments to private-sector contractors and guaranty agencies. The Committee's Republicans support the Bush Administration's plan to improve accountability and ensure the efficient, cost-effective delivery of federal student aid by consolidating these accounts (totaling more than \$900 million) into a new discretionary Student Aid Administration account.

*Rising tuition*

Despite much attention and study, tuition at America's colleges and universities continues to rise at a rate higher than inflation. We are committed to seeking ways in which the federal government can contribute to practical solutions to this problem, without unwarranted intrusion into the legitimate prerogatives of postsecondary institutions.

Committee Republicans are also committed to finding sound solutions to keep the price of attending college reasonable. We addressed this issue during the 1998 reauthorization of the Higher Education Act (HEA) by authorizing a record increase for Pell Grant maximums, while drastically reducing interest rates on student loans and keeping loan fees at a minimum. We also required colleges to provide detailed consumer information with respect to a college's income, expenses and tuition increases in order to enable families to make informed choices when selecting a college.

## LABOR

*Unemployment insurance*

The recession and the aftermath of September 11 have demonstrated the need for reforms to the state/federal partnership on unemployment insurance. The current system is disjointed, cumbersome and inefficient. The reforms proposed by President Bush call for the consolidation of the administrative and financial control of the program at one level of government. This will permit the improvement of services for unemployed workers, while giving states the flexibility to tailor additional services to address the specific needs of their citizens and businesses. The proposal also retains meaningful oversight authority at the U.S. Department of Labor to insure against economic hardship while maintaining standards of service.

*Retirement security*

Committee Republicans are committed to applying the lessons learned from the collapse of Enron to provide greater retirement security and opportunities to employees. Protecting workers pensions will best be accomplished through increased employee rights to diversify their own holdings and improved education and investment advice. Giving them needed protections, and the tools and understanding to make informed choices is preferred to increasing mandates, lawsuits and gag rules that will undoubtedly chill the voluntary retirement savings system.

*Davis-Bacon*

The Davis-Bacon Act is a highly controversial and costly law that has not been updated in decades to reflect modern construction workplace practices. The prevailing wage law continues to impose out-dated craft distinctions that frustrate training and opportunity for workers, and that discourage employers with innovative and flexible management practices from participating in government contracts. Davis-Bacon increases federal construction costs by \$10 billion a year and is estimated to inflate the costs of individual projects by 5% to 38%.

Yet, on dozens of bills in virtually every committee, special interests are demanding that senators convert otherwise meritorious policies into 1930s-style public works projects that restrict competition, increase construction costs, and limit the impact of the policies being implemented. Until the problems with the Davis-Bacon Act are squarely addressed, Congress must oppose the expansion of the law to new categories of funding arrangements and to state and local projects with limited federal involvement. In particular, good policies in the areas of education, health care, and the environment must not be held hostage by efforts to attach lasting Davis-Bacon obligations to revolving loan programs, bonding arrangements or other financial arrangements managed by the states.

*Compensatory time off*

When the Fair Labor Standards Act was enacted in 1938, the American labor force was almost entirely made up of industrial and agricultural workers; the right to collective bargaining was not yet three years old; and less than 16 percent of married women were working outside their homes. Congress must modernize workplace laws to reflect changes in the structure and needs of today's society. To help achieve this goal, I have introduced S. 624, the Workplace Flexibility Act, which would amend outdated federal law to give families and employers greater flexibility in meeting and balancing the demands of work and family.

*FMLA clarification legislation*

Congress designed the Family and Medical Leave Act for families to use for critical situations such as after the birth or adoption of a child or for leave to care for a child, spouse, or one's own "serious medical condition." Unfortunately, the prior Administration's interpretation of certain provisions of the Act has resulted in significant unintended administrative burdens and costs on employers; resentment by co-workers when the Act is misapplied; invasions of privacy; and disruptions to the workplace. Accordingly, I have intro-

duced S. 489, the Family and Medical Leave Clarification Act, to make reasonable and much needed technical corrections to the FMLA, to ensure a proper working of the law for both employees and employers.

*Office of the 21st Century Workforce*

I applaud the President's establishment of the Office of the 21st Century Workforce to provide a focal point for the identification and study of issues relating to the workforce of the United States and the development of strategies for effectively addressing such issues. I look forward to working with the Administration and the Department of Labor to find ways to eliminate duplicative or overlapping rules and regulations and eliminate statutory and regulatory barriers to assisting the workforce in successfully adapting to the challenges of the 21st century.

*Worker training*

The September 11 terrorist attacks had a devastating and direct impact on American workers, making our federal worker training programs more crucial than ever. We should maintain our commitment to providing the most efficient and effective workforce training programs to help retrain those who have lost jobs, as well as assist those entering the workforce for the first time. Congress should provide adequate resources for our federal job training infrastructure, redirecting funds from poorly performing programs to effective ones. In addition, I support the President's proposal to consolidate and streamline existing job training programs that are currently scattered across ten different federal agencies.

*Workplace safety*

Congress must maintain the commitment made in the Occupational Safety and Health Act to "assure so far as possible every working man and woman in the nation safe and healthful working conditions." To this end, I support policies that establish and promote cooperative relationships between labor, management, and OSHA to address worker safety and health issues and expand worker protection. We should combine rigorous enforcement measures with new efforts to prevent injuries and illnesses from occurring in the workplace. In addition, our policies must be grounded upon sound evidence and valid scientific data.

WELFARE REFORM AND CHILD CARE

*TANF*

The overall assessment of the 1996 Temporary Assistance for Needy Families (TANF) law is that work is working. Welfare rolls have declined greatly, more mothers than ever are working, the average income of female-headed families is increasing, and poverty has dropped substantially. I commend the President's TANF reauthorization goals to increase opportunities for more people to achieve the dignity of independence through work; promote child well-being by encouraging health marriages and families; and provide states with even greater flexibility to create innovative and comprehensive welfare initiatives that will help more people reach self-sufficiency. It will be important to maintain our current com-



mitment of TANF funding, so that states will have sufficient funds to provide necessary and creative work supports for the additional people who leave the welfare rolls and enter the workforce. In addition, we must increase coordination between job training activities under TANF and those conducted under the Workforce Investment Act, our major federal job training law.

*Child care*

Committee Republicans recognize that childcare assistance is critical to allow mothers to obtain and retain employment. This year, the Committee will reauthorize the Child Care Development Block Grant (CCDBG), which provides dollars to States to subsidize the cost of childcare for low-income families. Funding for the CCDBG has more than double in the last five years to \$2.1 billion, and the President proposes to maintain this funding. Additional available childcare funding includes mandatory dollars authorized by the Ways and Means Committee and the TANF block grant.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

In this State of the Union message, President Bush called on all Americans to serve their country and announced new ways for Americans to help those in need and promote the common good. Under an Executive Order signed by the President, the newly formed USA Freedom Corps Council will manage the citizen service initiative. The USA Freedom Corps will have three major components: (1) a newly created Citizen Corps to engage citizens in homeland security; (2) an improved and enhanced AmeriCorps and Senior Corps under the Corporation for National and Community Service; and (3) a strengthened Peace Corps.

A major part of the USA Freedom Corps will be the programs of the Corporation for National and Community Service including AmeriCorps, Senior Corps, and Learn and Serve America. In support of the President's challenge to every American to serve, the Committee will work with the Administration to achieve the following objectives: (1) support and encourage the greater engagement of citizens in volunteering; (2) provide greater assistance to secular and faith-based community organizations, including those that address the homeland security needs of the nation; and (3) make federal support more accountable and responsive to State and local need. The principal mechanism for achieving those objectives is reauthorizing the Corporation for National and Community Service and improving its programs.

Thank you for the opportunity to comment on the areas within the Health, Education, Labor and Pensions Committee's jurisdiction. I look forward to working with you both on developing a Budget Resolution for Fiscal Year 2003.

Sincerely,

JUDD GREGG,  
*Ranking Member.*

U.S. SENATE,  
COMMITTEE ON INDIAN AFFAIRS,  
*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD,  
*Chairman, Committee on the Budget, U.S. Senate, Washington, DC*  
Hon. PETE V. DOMENICI,  
*Ranking Member, Committee on the Budget, U.S. Senate, Wash-  
ington, DC*

DEAR CHAIRMAN CONRAD AND SENATOR DOMENICI: We are writing in response to your request that the Views and Estimate of the Committee on Indian Affairs on the President's Fiscal Year 2003 budget request for Indian programs be submitted to the Committee on the Budget no later than March 1, 2002.

On February 4, 2002, the President submitted his budget request for Fiscal Year 2003. The budget request totals \$2.128 trillion, includes \$746 billion in discretionary budget authority, and provides an overview of the President's Federal spending priorities for FY2003.

#### I. FEDERAL SPENDING TRENDS FISCAL YEARS 1975–2003

As it has done in previous years, the Committee has called upon the Library of Congress' Congressional Research Service (CRS) to prepare an analysis of Federal spending trends in programs and services for or affecting American Indians and Alaska Natives (AI/AN), and a comparative analysis of spending patterns for other Americans. The Committee has asked the CRS to produce a report documenting Federal spending trends for Fiscal Years 1975–2003.<sup>1</sup>

#### II. PROFILE OF INDIAN COUNTRY IN BRIEF

In General. There are currently 561 Federally-recognized tribes in the United States, with some 40% of tribes located in the State of Alaska. The 2000 census data indicates there are 2.5 million<sup>2</sup> American Indians and Alaska Natives (AI/AN) in the United States, with over 57% living in urban areas and the remainder residing on Indian reservations or in rural areas, sometimes hundreds of miles from the nearest urban area. In addition, approximately 4.1 million census respondents identified themselves in the AI/AN racial category or ancestry who also claimed other races or ancestry. Many of these individuals are or could be eligible for Federal services.

The United States has a unique historical and legal relationship with AI/AN people, which serves as the basis for the Federal Government's trust responsibility and obligations. This government-to-government relationship is a well-settled principle of Federal-Indian law that is reflected in the U.S. Constitution and expressed in treaties, executive agreements and orders, statutes, the course of dealings, and hundreds of Federal court decisions. There are also

<sup>1</sup>The Committee will submit a copy of the Memorandum from Mr. Roger Walke, Specialist in American Indian Policy, Domestic Social Policy Division, Congressional Research Service (CRS) entitled Indian-Related Federal Spending Trends, FY1975–2003, as soon as it is completed.

<sup>2</sup>For the first time, the 2000 Census allowed individuals to identify themselves by a single or multiple racial category or ancestry. This number reflects individuals who identified themselves by a single racial category or ancestry. The 1990 Census reportedly undercounted AI/AN by 5% overall and by 12% on reservations. The 2000 Census made a concerted effort to remedy this inadequacy in accounting.

moral components to the relationship which has been described as a “mutuality of obligations” between the parties. The relationship is most easily understood by reference to the cession of millions of acres of land by tribes to the United States in return for peace, protection of tribal sovereignty, and the provision of programs and services by the United States.

Regardless of where AI/ANs reside, however, they continue to rank at near the bottom of nearly every social, health, and economic indicators, as compared to all other groups of American citizens. They continue to suffer the highest rates of unemployment and poverty, live in substandard housing, have poor health, receive an inadequate education, and contend with disintegrating social systems, all of which erode both the quality and dignity of life in Native communities and serve as indicators that the United States has not lived up to its responsibilities and promises.

The President’s Budget Request for Indian programs for Fiscal Year 2003 does not request the resources necessary to effectively address or remedy the long standing problems in Indian Country. The President’s Budget Request, for example, expresses dismay that Congress earmarked funding for 690 projects in the Department of Health and Human Services alone, totaling \$532 million,<sup>3</sup> though the fact remains that when tribal governments must compete with States or limited resources, tribal governments lose. This pattern has been reflected over and over again. Therefore, in order to insure that Indians receive the resources that were promised to them in treaties, Congress is forced to earmark spending for American Indian and Alaska Native communities.

In addition, the President’s Budget Request reflects an “initiative to integrate budget and performance \* \* \*[by] shifting resources to more effective programs.”<sup>4</sup> Through achieving more effectiveness is a laudable goal, the Committee is troubled by this philosophy if it should effect a further erosion of the fulfillment of Federal obligations and responsibilities to AI/AN. Improving effectiveness is difficult, if not impossible, without adequate funding. Increased resources are needed to alleviate the dire conditions in Native America and address the basic human needs of American Indians and Alaska Natives.

Education. The educational attainment for Native youth is deficient compared with other groups in the U.S. with Native youth achieving fewer high school and college degrees. A significant and aggravating factor in educational performance is the continued inability of the Federal government to ensure adequate, safe and clean educational facilities conducive to learning. As of 2001, there is a \$1 billion backlog in unmet needs for school facilities in Native communities, and the Committees believes that Federal resources can be augmented through the use of innovative financing mechanisms such as the issuance of school bonds.

Energy. Tribal lands contain significant energy resources and have an important role to play in the development of a sound national energy policy. Notwithstanding this potential, a vast majority of reservations are still poverty stricken and lack the basic infrastructure fundamental to modern living conditions as well as the

<sup>3</sup> Fiscal Year 2003 Budget of the U.S. Government, at 161.

<sup>4</sup> Fiscal Year 2003 Budget of the U.S. Government, at 47.

building blocks of economic opportunity. Indian lands have contributed approximately 11% of the nation's onshore oil and natural gas production, and 11% of its coal production. This contribution could increase in the future given available supplies of fossil energy resources on Indian lands and the potential development of significant renewable energy resources. As for on-reservation energy needs, much needs to be done. A recent Department of Energy report estimated that 14.2% of all Native American homes on reservations have no access to electricity compared to just 1.4% of all U.S. households. The high cost of energy is particularly harmful to these reservation communities when unemployment averages 43%. Another 33% who reside in communities outside of reservation boundaries earn wages below the poverty level. Given these statistics, tribes with substantial energy resources and high unemployment rates have a critical interest in the development of their energy resources as well as providing electrical services to their reservation communities.

**Employment and Income.** Given the near-complete absence of private sector enterprises in reservation communities, nearly one in three American Indians and Alaska Natives, or 31.2%, live in poverty. In the U.S. today, the unemployment rate is 5.6%, whereas in Native communities the unemployment rate hovers near 50%—nearly twice that of the national unemployment rate in the Great Depression of the 1930's. The earning capacity of AI/AN also lags behind that of other Americans: for every \$100 earned by the average American family, an Indian family earns \$62. Similarly, the average annual per capita income for Indians is \$8,284.<sup>5</sup>

**Health Status.** Perhaps most striking are the health statistics involving American Indians and Alaska Natives. Diabetes, tuberculosis, alcoholism, Fetal Alcohol Syndrome (FAS) and increasingly, AIDS, plague America's Native communities at rates far and above the incidence for other Americans. As of 2001, there is a \$900 million backlog in unmet needs for health facilities, contributing to the degenerating health of Native communities.

**Housing.** Census information reveals that 18% of all reservation households are "severely crowded" as compared with 2% for non-natives, with 90,000 Indian families homeless or under-housed. One of every five Indian houses lacks complete plumbing facilities. Reliance on Federal financing for housing is made greater by the difficulties American Indians and Alaska Natives have in accessing private sector capital and mortgage lending in particular.

### III. FUNDING PRIORITIES

Given the continuing need for a significant commitment of Federal resources, the Committee has continually supported the overall budget requests for Indian-related programs, and in many instances urged that they be increased. In no instance has the committee suggested that the overall budget request for Indian programs and services be reduced.

In terms of the administration of Federal programs, significant amounts of Federal funds appropriated for the provision of programs and services to Native communities have many times re-

<sup>5</sup>U.S. Bureau of the Census, 1990 Census of Population, "Characteristics of American Indians by Tribe and Language," 1990 CP-3-7.

sulted in an expanded and unresponsive Federal bureaucracy rather than direct benefits to Native people. In recent years, Congress has implemented tribal recommendations regarding the need for greater local autonomy and flexibility in spending decisions as more fully set out below.

The Tribal Priority Allocations (TPA) mechanism has proven successful in affording tribal governments the capacity to set spending priorities for governmental services and, if faced with changing needs, to reallocate TPA funds accordingly. The increase in requested funds for this program for FY 2003 reflects only a 4% inflationary rate.

The TPA mechanism continues to enable Indian tribal governments to flexibly respond to local concerns and to provide governmental services such as child welfare and elder care programs, forestry, agriculture and range management, fire protection, adult vocational education training, and a host of other programs and services to those residing on Indian lands.

By focusing 42% of the BIA resources on TPA, the President's Budget Request continues the trend of directing greater amounts of resources to priorities identified by tribal governments for the provision of services. Tribal governments, closest to those they serve, are most acutely aware of their needs and how best to address them.

Similarly, beginning with the enactment of the Indian Self-Determination and Education Assistance Act of 1975, as amended, (Pub. L. 93-638) there has been a gradual shift away from the Federal dominance in the administration of Indian programs to one in which tribal governments assume the responsibilities of the United States for the provision of services and programs to reservation residents.

Through self-determination contracts and self-governance compacts, Indian tribal governments and tribal consortia have developed greater levels of administrative acumen and delivered higher quality services than were previously made available. The Committee strongly supports the continued funding and expansion of tribal contracting and compacting under the 1975 act and urges that sufficient funds be provided to ensure the continued success of the program, including full funding of Contract Support Costs.

#### IV. COMMITTEE RECOMMENDATIONS

##### *IV. A. Department of Interior—In General*

The President's Budget request includes \$10.339 billion in funding for the Department of Interior, but this figure reflects an overall decrease of \$12.7 million from the FY 2002 enacted level. In addition, the President's Budget Request "includes a proposal to transfer to agencies the full costs of the Civil Services Retirement System and Federal Employees Health Benefits program."<sup>6</sup> This proposal would increase the Interior budget request to \$13.2 billion, if the proposal were currently in effect. However, if funding for this proposal has been added to the FY 2002 enacted level, the amount requested for FY 2003 would effect on an overall decrease of \$5 million.

<sup>6</sup> Fiscal Year 2003, The Interior Budget in Brief (Feb 2002), at DO-5.

The Budget Request continues to anticipate a complete elimination of the backlog in school facilities by Fiscal Year 2006, but only six Indian schools are slated for replacement although additional funding is proposed to reduce the school repair and maintenance backlog. The Committee commends the Request's increase to the Bureau of Indian Affairs (BIA) school operations budget by \$18.8 million over the FY 2002 enacted level.

*1. Bureau of Indian Affairs (BIA)*

a. Operation of Indian Programs (OIP)

The President's Budget Request for FY 2003 reflects only a 3.2% increase over FY 2002 enacted level. Given an actual 4% inflation rate, the overall funding request for FY 2003 is eroded by approximately \$128,153,000. The OIP account provides funding for core governmental functions including contract support costs to carry out contracts and compacts under the Indian Self-Determination and Education Assistance Act of 1975, (ISDEA), as amended; housing repair funds for Housing Improvement Program (HIP); road maintenance; BIA Trust Management Improvements; funds for Indian tribal courts; funds for adult care facilities; and other accounts.

Funding for contract support costs for BIA programs, for example, acts as a critical incentive to encouraging and expanding tribal contracting and compacting under the ISDEA. Until full contract support costs are provided, the level and quality of services provided under these contracts and compacts will suffer.

b. Law Enforcement Activity

Safe and crime-free environments are critical to improving the quality of life in Native communities and are central to any effort to attract capital and employment opportunities to strengthen tribal economies. For the past 5 fiscal years, funding has been provided to the ongoing joint Department of Justice—Department of Interior Law Enforcement Initiative. The Committee encourages the President to continue funding this initiative so that the success of the Law Enforcement Initiative can be continued.

The President's Budget requests \$161.4 million for ongoing law enforcement programs in Indian Country and basic detention services. The request includes \$3 million for facility operations targeted for new detention centers that are scheduled to open in 2003. The Committee encourages substantial increases for FY 2003. As in the past, any new funding increases would be used for additional law enforcement personnel, police vehicles, communications equipment, and staff detention services. The Committee continues to encourage and looks forward to the heightened degree of inter-agency coordination for law enforcement evidenced by the Law Enforcement Initiative.

The Budget Request proposes \$17 million for Tribal Courts, a \$4 million increase over FY 02. The funding increase is needed to allow Tribal Courts to timely adjudicate additional civil cases in such areas as probate associated with recent trust reform regulations. In FY 2001, in partnership with Indian Tribes, the BIA collected Tribal court caseload information. Of the 176 Indian tribes who responded, they reported a backlog in excess of 61,345 cases.

Although the Committee supports the \$4 million increase, the Committee believes a more substantial increase is necessary.

c. Education Activity

The centerpiece of the President's Indian education agenda is a school privatization proposal. The President's Budget requests \$12.2 million to implement the proposal, which would provide Indian tribes with the option of assuming the management of BIA operated schools or, if a tribe does not elect to do so, the BIA will enter into partnerships with private entities to manage the school. Although the Committee is still reviewing the proposal, the Committee is concerned that insufficient funding is being proposed for tribal management of the BIA schools.

Continuing the trend started in the last Administration, the Budget Request includes approximately \$293 million for new school facilities construction in FY 2002, this includes \$120.2 million to construct 6 new schools and \$164.4 million (\$2.8 million increase over FY02) for school facilities improvement and repair. The Budget Request also seeks a \$3 million increase to expand the Family and Child Education program. The Committee supports the requested funding levels for these programs.

The Committee anticipates legislation to authorize the issuance of bonds to raise capital for the construction of new schools. The Committee recommends \$30 million for this proposal.

The Committee is concerned about the proposed decrease of \$2 million for Tribally Controlled Community Colleges. These funds are used to defray expenditures for academic, educational, and administrative purposes and for the operation and maintenance of Tribal Colleges (except Dine College). Although the Tribally Controlled College or University Assistance Act authorizes \$6,000 per student, the President's Budget only requests \$3,526 per student. The Committee supports full funding of \$6,000 per student.

The Committee has concerns about the funding request for Indian Student Equalization Program (ISEP). The President's Request seeks no programmatic increase; in fact, there is a proposed program reduction of \$2 million. By law, BIA must provide funding to enable the BIA system to pay teachers at the Department of Defense (DoD) school rate. The BIA deducted the amount needed to pay teachers the DoD rate from the ISEP program, but ISEP program funds are to be used only for the operations of Bureau-funded schools. The Committee suggests that ISEP funding be increased by \$10 million.

Although the Committee supports the \$2 million increase for student transportation, the Committee urges additional funding. The public school per-mile average 6 years ago was \$2.97 per mile, yet even with this increase, BIA funded schools will only receive \$2.37 per mile. Last year, BIA estimated that student transportation was underfunded by \$11 million. The Committee recommends full funding for student transportation, an additional \$9 million over the President's request.

This year, the BIA acknowledges that it only addresses 70% of need for the Administrative Cost Grants (AC Grants). Although the Committee is encouraged by the \$3 million requested increase, the increase would only bring AC Grant funding up to 75% of need.

The Committee recommends AC Grant funding at \$61,420,000 to meet 100% of need.

#### d. Energy

The committee supports the increase of \$1.062 million within the Tribal Priority Allocations to address energy needs in Indian country: Economic Development (\$585,000) and Natural Resources (\$477,000). Given the potential for energy resource development on Indian lands this development can provide tribes with substantial opportunities for economic development and opportunities to provide electric services to rural communities.

The committee also supports the \$1 million dollar request in the non-recurring programs, Minerals Mining line item to work with tribes in assessing energy resource development and initiatives for the development of all potential sources of energy available on tribal lands. The committee strongly recommends that these funds also be used for the assessment of renewable energy sources such as wind and solar energy in addition to non-renewable resources to facilitate tribal participation in the Secretary's initiative on renewable energy.

Given the potential for development of energy resources on Indian lands and the potential tribal contribution to lessening the nation's dependence on foreign energy sources, the Committee recommends that these amounts be increased to ensure tribal participation in the development and implementation of a national energy policy.

#### 2. *Office of Special Trustee for American Indians (OSTAI)*

In 1994, Congress enacted the American Indian Trust Fund Management Reform Act, 25 U.S.C. §4001, et seq., to bring required reforms to Indian trust assets, accounts, and resources managed by the United States. Little or no progress in implementing the Act was made in the years immediately following enactment.

Beginning in 1997, through several oversight and legislative hearings, the Committee grew concerned with the pace and direction of planned trust management reforms of the Department of Interior and its bureaus. Since FY 1998 more than \$200 million has been appropriated by Congress to the Department of Interior for purposes of trust management reforms.

Trust management continues to be the subject of great controversy, and a class action initiated by beneficiaries of Individual Indian Money accounts entitled *Cobell v. Norton* (formerly *Cobell v. Babbitt*) continues to be litigated before Judge Lamberth of the U.S. District Court for the District of Columbia. While state-of-the-art computer and accounting systems are essential to the completion of needed reform of trust management procedures, doubts remain as to the adequacy of the Trust Asset and Accounting Management System ("TAAMS"), an adaptation of an off-the-shelf program initiated in 1998 that was intended to provide a comprehensive, integrated, and automated system for title and trust asset management. Furthermore, the High Level Implementation Plan ("HLIP"), developed by the Department in 1998 to guide trust reform activities, is now regarded by the Department as "obsolete." The Committee is gratified that a comprehensive review of both TAAMS and the HLIP has been undertaken by the Department.



In late 2001, the Department proposed to transfer trust management functions from the Bureau of Indian Affairs to a new entity to be named the Bureau of Indian Trust Asset Management (“BITAM”) and sought approval from the relevant Congressional committees to reprogram appropriations to allow the proposed reorganization to be implemented. The requested approval was withheld, however, pending completion of ongoing consultations between the Department and affected Indian tribes and the conduct of oversight hearings by the House Committee on Resources and the Senate Indian Affairs Committee.

Recognizing that substantially increased funding will be necessary in the next several years to complete the trust reform process, the President’s Budget Proposal includes an increase of \$53.366 million (from \$99,224,000 to \$152,590,000) in funding for Federal trust programs under the direction of the Office of Special Trustee for American Indians (“OSTAI”). The Committee is heartened by the Department’s commitment to substantially increased funding of trust management activities and looks forward to working with the Department to reach a full and fair solution to this long-standing problem. The Committee urges, however, that this substantial increase in funding for trust management reform not be viewed as justification for a corresponding reduction in funding of other programs intended to fulfill the United States’ trust responsibilities to Native Americans.

The President’s budget request for OSTAI includes the following language:

For operation of trust programs for Indians by direct expenditure, contracts, cooperative agreements, compacts, and grants, [~~\$99,224,000~~] \$152,590,000, to remain available until expended: *Provided*, That funds for trust management improvements may be transferred, as needed, to the Bureau of Indian Affairs “Operation of Indian Programs” account and to the Department Management “Salaries and Expenses” account[.]<sup>7</sup>

While the Committee does not wish to unnecessarily limit the Department’s flexibility, continuing controversy regarding BITAM makes it necessary for the Committee to state its intent that the language quoted above not be interpreted to authorize a reorganization of trust management functions within the Department that would otherwise require Congressional approval.

While the Department of the Interior has repeatedly identified the consolidated or fractionated interests in Indian lands as one of the highest priorities, the President’s Budget Request proposes to reduce funding for Indian Land Consolidation from \$10,980,000 to \$7,980,000, or a reduction of \$3 million. The Department has stated elsewhere that with the expected carryover of funds from prior years approximately \$15 million will be available during the coming year to continue land acquisition under this program. The Indian trust beneficiaries are the innocent victim of a long-standing breach of trust by the United States and its officials, and it would be a cruel irony indeed if trust reform, when finally achieved, were to come at the expense of other essential Indian programs.

<sup>7</sup> Budget of the United States Government, Fiscal Year 2003—Appendix, at 598.

### 3. Indian Health Service (IHS)

The FY 2003 Budget Request includes \$64.019 billion for discretionary programs within the Department of Health and Human Services (DHHS), an increase of \$2.403 billion over FY 2002 enacted levels. Just as last year, the bulk of the increase (\$4 billion) will go to the National Institutes of Health (NIH). This Committee applauds the President's commitment to fund more health care research, however, the Committee is opposed to a new parking facility at NIH funded at expense of Indian Health Service Sanitation Facilities.<sup>8</sup>

The Committee is concerned that the Department of Health and Human Services restructuring initiative will affect the priorities for the construction Indian Health Service hospitals and clinics by merging the Indian Health Service health care facilities construction priority list with other national priorities, when the IHS facilities construction responsibility is transferred to the Office of the Secretary as proposed in the President's Budget.

#### a. Health Services

The Budget Request includes \$2.513 billion for the Indian Health Service (IHS), an increase of 2.6% over the FY 2002 enacted level of \$2,389 billion. This increase provides \$60.027 million and 83 Full-Time Equivalents (FTEs). These new FTE's are needed to staff new facilities that are scheduled to open in FY 2003. However, \$8.8 million is "saved" by reducing the recurring based funding for 100 FTE's.<sup>9</sup> These 100 FTE's are critical for both tribally-operated and Federally-administered programs. The Committee objects to any budgetary savings at the expense of Hospitals and Health Clinics Services or Direct Operations.

The Committee believes that in spite of the increase in funding requested, an additional \$300 million is needed to begin to address the disparities in the health status of American Indians and Alaska Natives and the rest of America. With the requested amount, Indian Health Service cannot even begin to address the overwhelming health care needs of the individuals it serves, and the failure to address the loss of purchasing power due to inflation undermines the ability of the agency to continue to provide services at the current level. If the medical inflation costs go unaddressed, the effectiveness of existing programs will be eroded.

#### b. Contract Support Costs.

For the last several years, the Indian Affairs Committee and other committees have devoted significant time and resources to addressing the issue of chronic shortfalls to funding to address contract support costs (CSC) associated with the provision of programs and services operated under the authority of the Indian Self-Determination and Education Assistance Act of 1975, as amended. The FY 2003 request includes less than a \$3 million increase in the funds for contract support costs. In addition, the funding request caps new and expanded contracts at \$2.5 million, down from \$20 million enacted for FY 2002.

<sup>8</sup>Fiscal Year 2003, Budget of the U.S. Government, at 140.

<sup>9</sup>Justification of Estimates for Appropriations Committees, Department of Health and Human Services, Indian Health Service, Fiscal Year 2003, at IHS-9.

The Committee is well aware of the need to provide more funds to address existing CSC needs, and to provide an incentive to other tribes and tribal organizations to provide health care and other services under the Indian Self-Determination and Education Assistance Act of 1975, as amended. The Committee is concerned that the request for a decrease in contract support costs may cause serious damage to the Indian Health Service system as whole. An additional amount of at least \$119 million is needed to address the CSC needs, with at least \$40 million for new or expanded CSC in FY 2003.

#### c. Health Facilities

Although the FY 2003 budget request for health facilities include a request to continue ongoing construction, there appears to be only a \$1 million request for new funding. The Committee is advised that there is a \$1 billion backlog in the construction of replacement health care facilities in Indian country. The Committee is also concerned that the President's Budget Request reduces costs of this needed program by eliminating \$14,260,000 in facilities construction.<sup>10</sup>

#### d. Other DHHS Programs

**Drug Treatment Initiative:** The President's Budget Request increases access to substance abuse treatment services and works to close the treatment gap by providing a \$59 million increase for the Substance Abuse and Mental Health Services Administration as part of the Drug Treatment Initiative. This funding increase will support an additional 52,000 drug abuse treatment slots. There is no indication whether these increases apply to Native communities as well.

**Promoting Safe and Stable Families:** The President's Budget Request includes funding for the Promoting Safe and Stable Families program at \$475 million in FY 2003, a \$123 million increase over the FY 2002 enacted level. These additional resources will help States keep children with their biological families, if safe and appropriate, or to place children with adoptive families, but it is unclear whether the funds available to tribal governments are for the same purposes.

**Administration for Native Americans:** Universally acknowledged as a successful tool in assisting tribes and native communities develop and implement economic, environmental and cultural initiatives, the Administration for Native Americans (ANA) program is slated to receive \$45 million in FY 2003, a decrease from the FY 2002 enacted level of \$45,996,000. The Committee does not support any decrease in funding for this program.

**Administration on Aging:** The President's Budget Requests \$28 million for Grants to Tribes. The FY 2002 enacted level for this account was \$26 million. The Committee recommends \$30 million for this account serving Indian tribes, Alaska Natives and Native Hawaiians. This program is the primary vehicle for providing nutrition and a wide range of other supportive services and is often the only program serving older Native Americans in remote areas.

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<sup>10</sup> Ibid.

The Committee is also aware of the need to improve access to social services by elders in Indian Country and recommends an additional amount of \$500,000 for this purpose.

*4. Agriculture and Related Activities—Bureau of Indian Affairs (BIA)*

a. Agriculture

The BIA supports American Indians and Alaska Natives in developing conservation and management plans to protect and preserve natural resources on trust land, which includes over 46 million acres used for farming and grazing by livestock and game animals. The BIA provides technical assistance in Inventory and Research, Farm and Range Planning, Farmland Improvements, Rangeland Improvements, Rangeland Protection, Leasing and Permitting Services, Contract Monitoring, and Agriculture Extension.

The Budget Request proposes \$22.5 million for agriculture services. A \$2 million increase is proposed for agriculture services to be used to complete soil and range inventories and conservation management plans on an additional 1 million acres of trust lands per year. The Committee supports this increase as soil and range inventories are necessary to provide data for use in developing conservation and management plans to protect and preserve natural resources on Indian trust lands.

b. Forestry

The BIA's forestry program manages or assists Indian tribes with the management of their forests consistent with tribal goals and objectives identified in forest management plans or integrated resource management plans. Indian forests cover over 17 million acres and are located on 260 Indian reservations in 26 states. Forest management activities consist of forest inventory and management planning including the development of Integrated Resource Management Plans, forest products marketing, timber sale management, forest protection, woodland management, forest productivity enhancement, and intensive forest development procedures, to ensure the sustainable management of Indian forests.

The Budget Request proposes \$21.6 million for forestry services, an increase of \$1.5 million over FY02. The Committee supports the increase which is targeted for forest management activities to enhance the harvest of forest products.

c. Bison restoration

The President's Budget requests \$1.2 million, a \$4 million decrease from FY02. The actual need for bison restoration efforts is \$15 million. The Committee strongly urges an increase in funding, which is critical to maintaining social educational, economic development and cultural sustainability.

*IV. B. Agriculture and Related Activities: Department of Agriculture (USDA)*

With agriculture as the second largest employer in Indian communities, the USDA plays a fundamental role in aiding Indian economic and community development.

The Committee is encouraged by the \$1.1 billion request for the Farm Service Agency, a \$1 million increase from FY2002. The Committee does, however, recommend \$12 million for the American Indian Livestock Feed Program, the same amount that was funded in FY2002.

The availability of a solid physical infrastructure is often a critical factor in the decision of outside investors and Indian entrepreneurs to engage in business activities on Native lands. The Committee supports the increase in the Budget Request, which includes \$184.3 million for FY2003 versus the \$133.7 million provided for FY2002.

The Committee also supports continued funding of the Rural Community Advancement Program (RCAP), Water and Waste Disposal Direct Loans and Grants at the FY2002 levels for Native Americans and Alaska Natives and encourages funding for Indian country while USDA reviews the need for electric and telecommunications services. The Committee recommends increased funding for the Conservation Technical Assistance and for the Environmental Quality Incentives Program and supports funding for all programs at last year's level.

The Budget Request proposes to improve water quality and wetland protection through voluntary measures by targeting technical and financial assistance to farmers and ranchers who operate in the watersheds with the greatest needs. The Committee encourages the USDA to also work with Indian tribes to ensure that Indian tribes and tribal farmers and ranchers also have access to technical and financial assistance.

The Budget Request proposes to improve delivery of USDA services provided by the National Resources and Conservation Service, Farm Service Agency and Rural Development by consolidating offices and administrative functions, such as payroll and reporting requirements. The Committee recommends that the needs of Indian tribes be considered when consolidating offices and any offices not located on Indian reservations should be monitored to ensure that adequate and fair service is provided to Indian tribes and Indian people.

The Committee encourages full funding for the Food Stamp Program; the Child Nutrition Program; the Women, Infants and Children Program; and the Food Distribution Program on Indian Reservations. The Committee anticipates a proposal to authorize Indian tribes to determine eligibility for Food Stamps and to establish one-stop centers for Food Stamps and other welfare programs and recommends funding for this proposal once enacted.

The Committee is encouraged by the level funding for Tribal Colleges. The Committee recommends, however, substantial increases in all Tribal College funding programs, including the 1994 Institutions' Endowment Fund, which is not scored as budget authority or outlay. The Committee urges at least \$15 million for the Endowment Fund.

#### *IV. C. Educational Activities—Department of Education*

##### *1. Elementary and Secondary Education*

In 2001, the Elementary and Secondary Education Act (ESEA) was amended and reauthorized to include increased accountability

for student performance, increased state and local flexibility, and enhanced parental choice. The Budget Request maintains funding for Safe and Drug Free Schools, and Even Start while these programs are evaluated.

Under the President's Budget Request, Title I Grants to Local Educational Agencies would receive \$11.4 billion, a \$1 billion increase from fiscal year 2002. The grants are used to help students in high-poverty schools meet the new accountability requirements for improved performance in reading and math. The Committee supports this level of funding.

The Budget Request proposes \$1 billion for Reading First (\$1 million increase over FY2002), a program to ensure that all students can read at grade level by the end of the third grade. The program provides funds to support proven reading practices. Seventy-five million dollars is also provided for Early Reading First (the same level as FY2002) to develop model programs to help children in high-poverty communities prepare for school. The Committee supports this level of funding.

The Budget Request proposes \$1.1 billion for Impact Aid for schools serving large numbers of military dependents or Indian children, with a decrease of \$3.5 million from FY2002. The Committee urges funding at FY2002's level as the proposed decrease will come from school construction funds.

The President's Budget Request also includes \$122.3 million for Indian education to improve teaching and learning for American Indian children, a \$2 million increase from last year's level to fund research, evaluation, data collection, and related activities. The Committee is concerned about the funding requests for supplemental education services for Native Hawaiians (\$18 million, a \$12 million decrease from FY2002) and Alaska Natives (\$14 million, a \$10 million decrease from FY2002). The Committee recommends \$34 million for programs authorized by the Native Hawaiian Education Act and \$28 million for substantial increases over FY2002 funding levels.

### *2. Office of Special Education and Rehabilitative Services*

The Committee is encouraged by the funding request of \$9.6 billion for Individuals with Disabilities Education Act (IDEA), which is a \$1 billion increase over FY2002. This includes \$8.5 billion for Special Education Grants, and \$437 million for states to identify and serve infants and toddlers with disabilities.

The Budget Request proposes a \$30 million incentive grant for State Vocational Rehabilitation agencies to help individuals with disabilities prepare for and obtain employment to the extent of their abilities. Although Indian tribes are eligible for a 1%–1.5% set aside, it is not clear whether tribes are eligible for the proposed incentive grants.

### *3. Office of Vocational and Adult Education*

The Committee supports the \$7 million request for Tribal Colleges, a \$500,000 increase from FY2002, to support Tribal Colleges to ensure continued and expanded educational opportunities for Indian students.

#### *4. Office of Postsecondary Education*

The President's Budget Request focuses resources on student aid programs that help needy students pay for college, higher education programs that help students prepare for postsecondary education, and institutional development programs that provide support for colleges which serve low-income and minority students. As part of this initiative, the Budget Request proposes to redirect resources from unrequested earmarks and low priority programs in FY2002 to the Pell Grant Program. Other increases are proposed for teacher loan forgiveness for teachers who work in high-poverty schools for five years. The proposal would forgive up to \$17,500 in Federal student loans, up from \$5,000.

The Department of Education (DOE) proposes to reprogram up to 3% of discretionary funds from unrequested earmarks and low-priority programs in 2002 to the Pell Grant program, up from 1% in Fiscal Year 02. In light of the decreased funding request for Alaska Native and Native Hawaiian education, the Committee is concerned that the Department of Education may consider these low priority programs.

The funding request for Tribal Colleges is \$18 million, a \$500,000 increase from FY2002. The Committee recommends \$24 million, \$12 million for the Title III basic funds and \$12 million for the Tribal Colleges facilities program. The Budget Request also proposes an increase of \$500,000 for Alaska Native and Native Hawaiian Serving Institutions, up from \$6.5 million for FY2002.

#### *IV. D. Law Enforcement and Public Safety—Department of Justice*

The Committee urges that Indian country be considered in the President's Counterterrorism Enhancements and Border Security initiatives. According to the BIA, there are 35 tribes with jurisdiction over lands adjacent to the Canadian or Mexican borders and jurisdiction over waters directly accessible by boat from the Canadian or Mexican borders. The lands comprise over 260 miles of a total 7,400 miles of international borders patrolled by the United States. In addition, many tribes have dams and oil and gas facilities located on or near tribal lands and have law enforcement jurisdiction over these lands.

Indian Country will be impacted by the proposed elimination of funding for tribal detention facilities. Many of the 80 or so tribal detention facilities are at the end of their useful life, and a number have been condemned by Federal or tribal courts. The total estimated backlog is approximately \$400 million. In FY2002, \$35.2 million was provided to construct tribal detention facilities. The President's Budget Request provides no funding for the construction of tribal detention facilities in FY 2003.

The Budget Request proposes to decrease Community Oriented Policing Services funding for Indian country for \$35 million provided in FY2002 to \$30 million for FY2003. The Committee encourages additional funding over FY2002 for this essential program. Today, there are 1.3 law enforcement officers per 1,000 citizens in Indian country, compared to 2.9 law enforcement officers per 1,000 citizens in non-Indian communities. And the Committee anticipates that greater burdens will be placed on Indian Country law enforcement as tribal governments play an integral role in securing America's borders and energy sources.

The Budget Request proposes to provide \$8 million for tribal courts in FY2003, the same amount provided in FY2002. The Committee urges a substantial increase in funding for tribal courts. Tribal court funds are used to develop, enhance, and operate judicial systems, to enhance civil and criminal justice administration on Indian lands and to encourage implementation of the Indian Civil Rights Act. Additional funding is needed to address the increased caseload on tribal court dockets resulting from increased arrests and rising crime, to encourage development of and investment in Indian lands by Indians and non-Indians, and to assist Federal courts in lessening the ever increasing Federal district court caseload.

The Committee continues to support existing programs and funding for victim/witness coordinators within the Federal Bureau of Investigation and evidence and forensic examinations; funding for U.S. Attorney positions to investigate and prosecute crimes in Indian country; funding for drug testing, treatment, and diversion programs; funding for Youth Mental Health and Behavior Problems; and funding for sexual assault nurse examiner units. The Committee strongly encourages that FY 2003 levels be increased for law enforcement activities sufficient to address these problems.

#### *IV. E. Housing and Community Development—Dept. of Housing and Urban Development*

The President proposes a \$31.5 billion budget for Department of Housing and Urban Development (HUD), which is a 7 percent increase over FY 2002 levels. HUD's primary focus is helping families achieve homeownership, particularly for minorities.

Studies have documented that housing conditions in Native America are the worst in the nation, with 40 percent of Native Americans living in overcrowded or physically inadequate housing conditions, and 33 percent considered very-low income. The current level of need for housing stock in Native communities is \$1.075 billion, up from \$972 million from just a few years ago. This translates into an immediate need of at least 200,000 housing units, which does not include the estimated 52,000 units currently in need of renovation and 19,000 needing replacement.<sup>11</sup>

The rural nature of Indian Country translates into high housing costs. Many reservations lack basic infrastructure, so tribes must make large investments in water lines, sewage and sanitation facilities, and paved roads.<sup>12</sup> Furthermore, the remote and isolated nature of Indian lands means more costly supplies and skilled labor and greater shipping expenses.

Access to financing (private sector capital and mortgage lending) is another barrier. Because Federal trust land cannot be used as collateral, Native Americans have difficulty obtaining mortgages. Even "financially able" Native Americans have to rely upon Federal housing programs because of the lack of alternative financing in In-

<sup>11</sup> Based on the Coalition for Indian Housing and Development, Submission to the Millennial Housing Commission, June 29, 2001.

<sup>12</sup> The Indian Health Care Improvement Act Amendments (P.L. 94-437) stated that the Indian Health Service has the primary responsibility and authority to provide safe and adequate water supply systems and sanitary sewage waste disposal systems in all Indian homes. Housing and infrastructure needs must be addressed together in Indian Country. All appropriation of \$180 million increase in the Sanitation Facilities Construction for IHS would be needed, coupled with the NAHASDA block grants, would be a good start to address the housing problems.



dian Country or because a limited private housing market makes housing prohibitively expensive.

*1. The Native American Housing Assistance and Self-Determination Act (NAHASDA)*

The FY 2003 appropriation for the Native American Housing Block Grants is \$646,600,000<sup>13</sup> which is \$2,000,000 less than FY 2002. NAHASDA authorizes direct block grants to tribal governments or tribally-designated entities to develop, maintain, and administer safe and affordable housing for low-income Native Americans. NAHASDA also encourages creative financial options that allow tribes to leverage public and private funds.

Tribes' housing needs remain disproportionately high compared with their housing block grant. As a result, tribal housing entities are only able to maintain their housing status quo and have had difficulty making headway to addressing their members' overall need. The Committee believes that housing funding under NAHASDA should address existing unmet needs.

*2. Native Hawaiian Housing*

The Native Hawaiian Housing Block grant was added this year in the amount of \$10 million for FY 2003. The Native Hawaiian Home Loan Guarantee Fund was again funded for \$1 million.<sup>14</sup> Although Native American conditions are appalling, Native Hawaiians continue to have the greatest unmet need, with 95 percent of eligible Native Hawaiians in need of housing.<sup>15</sup> Therefore the Committee supports increasing this block grant to \$15 million for FY 2003, and \$40 million for each year thereafter. And although Native Hawaiians face the same problems of American Indians and Alaska Natives (limited access to urban centers, limited access to capital, lack of infrastructure, and restricted use of trust lands), Native Hawaiian housing needs are unique and the Committee recommends that this funding be separately identified and appropriated from NAHASDA funding for American Indians and Alaska Natives.

*3. Community Development Block Grants (CDBG)*

The President's Budget Request for the Indian set-aside of the Community Development Block Grant Program is \$72.5 million for FY 2003 which is a \$2.5 million increase from FY 2002. Tribes use these grants for reservation infrastructure and economic development. The funding increase is welcomed, but more is needed for Native Americans to achieve economic self-sufficiency that will reduce their reliance on Federal housing subsidies. The Committee therefore recommends that the Indian set-aside be increased from 1.5 percent to at least 3 percent of the total CDBG amount, or approximately \$144 million.

<sup>13</sup>This sum includes \$5 million (down from \$6 million in FY 2002) for the Indian Housing Loan Guarantee which will secure approximately \$200 million in private loans. The sum also includes the Title VI Tribal Activities Loan Guarantee program was cut from \$6 million to \$2 million in FY 2003.

<sup>14</sup>This \$1 million credit subsidy will secure approximately \$40 million in private loans.

<sup>15</sup>Overcrowding in Native Hawaiian homes is 36 percent, versus 3 percent for all other homes. Native Hawaiian housing problems are 49 percent for Native Hawaiians (44 percent for American Indians and Alaska Natives), versus 27 percent for other homes. Coalition for Indian Housing and Development, Submission to the Millennial Housing Commission: June 29, 2001.

#### 4. *Proposed Emergency Fund*

Unlike HUD's public housing programs, there is no emergency fund for Native American housing. Last year, the Committee learned that toxic black mold had infested homes on at least 17 Indian reservations which forced emergency evacuations of many homes. The cost of remediation has not been calculated, however three North Dakota tribes estimate needing \$20 million to address their mold problems. To address this problem, the Committee recommends that an emergency housing fund be established that will enable tribes to quickly address toxic mold problems or other emergency problems plaguing Indian Country housing.<sup>16</sup>

#### 5. *Eliminated Programs*

Indian communities will be negatively impacted by two proposed budget eliminations. The President has not proposed funding for the Rural Housing and Economic Development program (which eventually was funded at \$25 million in FY 2002). This program is particularly well-suited for Indian Country given all of the problems of rural America and the difficulty with economic development on reservations. The President also again proposes to eliminate the Drug Elimination Grant Program for the second year. This program is essential to ensuring safe housing through programs targeting at-risk youth and crime reduction activities. The Committee would encourage that both of these programs receive funding that will support economic development in Indian Country and provide safe reservation communities.

#### IV. F. *Housing Loans—Department of Veterans Affairs*

The extreme housing needs of Native America have been well documented. To assist in addressing this epidemic need, Congress established the Native American Veterans Housing Loan Program. This pilot program provides direct loans to American Indians, Alaska Natives, and Native Hawaiians living on Federal trust lands. These loans are available to purchase, construct, or improve homes to be occupied as a veteran's residence. The President's Budget Request seeks \$565,000 for FY 03, an increase of \$21,000 over FY 02.

#### IV. G. *Commercial Activities—Department of Commerce*

The Department of Commerce has specific programs from which Native communities benefit. One such program is the Economic Development Administration (EDA). The Budget Request proposes an \$8 million reduction in funding for EDA. EDA promotes a favorable business environment to attract private investments and high-wage jobs through infrastructure and capacity building. One of the principal barriers to economic development in Indian Country is the lack of infrastructure available to businesses wishing to locate in Indian country. The Committee urges additional funding for EDA so that Indian country can attract the businesses necessary to create jobs and stimulate economic growth.

<sup>16</sup>This toxic mold has been linked to serious health problems among the most vulnerable populations—the young and old. HUD represented to the Committee that tribes are eligible to apply for grants under the Lead-Based Paint program to address the problem of toxic mold in their houses. FY 2003 appropriation will increase to \$126 million from \$110 million provided in FY 2002.

The President's Budget Request provides \$31 million for the Minority Business Development Agency (MBDA), which works to facilitate access to resources for the minority business community in order to help minority businesses. Native American Business Development Centers are eligible for these funds. With the high level of unemployment in Indian Country, the Committee recommends an increase for MBDA.

The Budget Request proposes to eliminate the Technology Opportunities Program (TOP), which provides grants for rural and underserved communities for advanced telecommunications technologies. In FY2001, TOP funding was \$45.4 million, which included \$4.2 million for Indian Country. In FY2002, TOP funding was \$15.5 million. The amount for Indian Country has not yet been determined. For FY2003, the President has determined that the program should be eliminated on the basis that the program is no longer needed as all sectors of society have access to the Internet and related technologies. This rationale ignores the realities of Indian Country.

Telecommunications needs in Indian country are different from those in the rest of the nation because of the poor state of existing infrastructure in most native communities. In 1995, it was estimated that 53% of Indian homes on reservations did not have telephones, compared to only 5% of all other homes in the United States. Even in rural locations, only 9% of homes did not have telephones. In a 1999 survey conducted by EDA, 13 of 48 tribes reported that they did not have 911 service and only eight have a technology infrastructure or telecommunications plan.

The Indian Affairs Committee intends to work closely with the Commerce Committee to develop legislation to address telecommunication needs for Indian Country. Funding may be requested for FY2003 for any proposed legislation. The Committee also encourages the Department of Commerce to implement the recently enacted Native American Business Development, Trade Promotion and Tourism Act, Pub. L. No. 106-464, and the Indian Regulatory Reform and Business Development Act, Pub. L. No. 106-447.

#### *IV. H. Labor Activities—Department of Labor*

Unemployment rates in Native communities continue to hover in the 43-45% range compared to the national unemployment rate of 5.6%. Thus, Native communities have a serious need for job training programs.

The President's Budget Request proposes to reform Federal job training programs. Currently, there are 48 Federal job training programs administered by 10 Federal agencies. The President proposes to consolidate or eliminate 20 programs so that in FY2003, there will be 28 programs administered by 10 Federal agencies. Within the Department of Labor (DOL), there are 17 job training programs for dislocated workers, adult employment and training, and youth activities. For FY2003, the Budget Request proposes to eliminate or consolidate 7 job training programs and to transfer 1 program to the Department of Veterans Affairs, so that a total of 9 job training programs will be administered by the DOL. The Budget Request also proposes to eliminate or consolidate 4 programs within the Department of Education that affect adult edu-

cation, vocational education and individuals with disabilities. Within the Department of Interior, the President proposes to consolidate or eliminate 9 job training programs that affect American Indians and Alaska Natives. Further elimination or consolidation of programs under the Workforce Investment Act should be expected in the FY2004 budget.

Indians, Alaska Natives and Native Hawaiian youth and adults are eligible to participate in the Comprehensive Services program of the Workforce Investment Act (WIA). In FY2002, this program received \$55.3 million. The 2000 Census shows increases in the Indian population since 1990 that range from 20% to 40%, depending on the state. The committee recommends a substantial increase (at least \$60 million) for the Indian WIA Section 166 Comprehensive Services program.

In FY2002, the tribal Supplemental Youth Services program under WIA received \$16.5 million. This program benefits youth in reservation areas, Oklahoma, Alaska and Hawaii, who are in or will soon enter the workforce. The FY2003 request is \$15 million, a \$1.5 million decrease. The Committee recommends that \$20 million be appropriated for this program.

The Youth Opportunity Grant benefits Indian tribes in numerous states. The Budget Blueprint proposes a decrease for this program. The Committee recommends funding this program at the FY2002 level.

The Welfare to Work grants provided funding in 1998 and 1999, to be expended for up to 5 years after the funds were provided. Many tribes operating Welfare to Work grants have already expended their funds. The Committee anticipates proposed legislation to consolidate the Native Employment Works program with the Welfare to Work program. The amount needed for this proposal is estimated at \$37 million.

In FY2002, \$900,000 was provided for a bison labor and training program for training of meat processors, veterinary science technicians, wildlife stewardship training and other areas. The Committee recommends continued funding for this vital economic development program.

#### *IV. I. Transportation Activities—Department of Transportation*

The President's Budget Request seeks \$290 million in FY 2003 (down from \$294 million in FY 2002) for the Indian Reservation Roads (IRR) program.<sup>17</sup> The FY 2003 budget totals \$59.3 billion which is an overall increase of \$4.7 billion from FY 2002.

The IRR program's purpose is to provide safe and adequate transportation and access to public roads near and within Indian reservations, Indian trust land, restricted Indian land, and Alaska Native villages. Funding may be used to construct and improve roads, bridges, and transit facilities leading to, and within, Indian reservations or other Indian lands. Approximately 25,000 miles are under the jurisdiction of the Bureau of Indian Affairs and tribes,

<sup>17</sup>The Indian Reservations Roads program falls under the Federal-Aid Highways program under the Transportation Equity Act for the 21st Century and is jointly administered by the Bureau of Indian Affairs and the Federal Highway Administration. The Federal-aid highways funding for FY 2003 is \$22,608,787,000 (down from \$31,799,104,000 in FY 2002).

the majority of which were rated to be in “poor condition.”<sup>18</sup> Another 24,000 miles are under State and local roads.

The Committee notes that there is an estimated \$11 billion backlog of needed transportation improvements in Indian Country. Although Indian Reservation Roads compose 2.63 percent of the roads in the Federal Aid Highway program, Indian roads receive less than one percent of this Federal aid. As a result of this inequitable funding, these roads remain in poor and unsafe condition, leading to a fatality rate in Indian Country that is more than 4 times the national average. Furthermore, inadequate transportation infrastructure has a devastating impact on emergency and medical services, law enforcement response time and capabilities, and economic development efforts. Given the poor condition of the Indian Reservation Roads system and given that these roads have not received an equitable amount of funding over the years, the Committee recommends funding the IRR program at \$1 billion.

#### *IV. J. Environmental Activities—Environmental Protection Agency (EPA)*

The Committee is concerned about the proposed cuts and decreases to environmental grants to tribes and states for the clean air and clean water programs. In particular, the Committee is concerned about the proposed decrease in the Clean Water State Revolving Fund (CWSRF), which helps tribes and states meet their significant infrastructure needs by providing funds to construct drinking water and wastewater treatment facilities. These funds are an important tool to both tribes and states in assisting communities to achieve clean drinking water. The President proposes to decrease this fund from \$1.4 billion to \$1.2 billion. Of the CWSRF, tribes only receive one and one-half percent of the funds, which amounts to \$18.2 million. The level of need in Indian Country, however, is far greater than this amount. The EPA and the Indian Health Service estimate that it will cost more than \$650 million to correct inadequate wastewater treatment systems or to construct systems where none currently exist.

The Committee is also concerned that the President has not requested an increase in the amount available in the Drinking Water State Revolving Fund (DWSRF) which is used to help tribes upgrade and modernize drinking water systems.

As for Alaska Native water programs, the Committee is concerned that there has not been a request for an increase even though the EPA estimates that more than 20,000 homes in Native villages lack basic sanitation facilities.

The Committee strongly supports the increase of \$5 million to the general assistance grants, which are used by tribal governments for a range of environmental regulatory activities.

The Committee supports the increase of \$5.5 million to prevent pollution at the local level and to study environmental conditions in Indian Country since part of this money will go to the American Indian Environmental Office, which serves as EPA’s principal liaison with Indian Country. This increase supports the goal of establishing an environmental presence in Indian Country.

<sup>18</sup> Only 11 percent of BIA roads are paved and rated in “good condition.” Close to 90 percent of the unpaved roads are in “poor condition,” resulting in muddy roads that are washed-out during fall and spring rains and are rendered useless.

*IV. K. Energy Sources—Department of Energy*

The Committee supports the President's Request of a 25% increase in the Department of Energy Federal Management Program (FEMP). Currently, to comply with Federal green power goals, Federal facilities must purchase up to 2.5% of their current energy usage from renewable sources. In the Technical Guidance and Assistance line item, the Committee requests consideration of the following language: "Any Federal facilities that conduct energy efficiency through FEMP programs should apply 50% of their energy savings funds towards the purchase of green tags from tribal renewable energy projects."

The Committee supports the proposed 20% increase in the Weatherization Assistance Program but suggests that Congress look at methods to assure tribal participation in the grant program since the current program funding is provided to states or through state energy offices.

The Committee strongly supports the increase of 196% of the Renewable Indian Energy Resources line item in the DOE: Power Technologies Program Funding. There are currently no incentives for renewable energy development on Indian lands despite the significant potential that exists. The Department of Energy has reported that there are 61 Indian reservations that have renewable energy resources such as wind, solar, and geothermal that could be developed for central station-generation. The development of distributed renewable energy systems could also help electrify the home of rural Indian communities.

*IV. L. Energy Sources—Department of Agriculture*

Rural Utility Loan Program. The Committee is concerned that at present, it appears that the Rural Utility Service only makes loans for rural energy projects where the energy is consumed in the rural areas. However, the market for the renewable energy sources is often in urban areas where the electricity demands are greater and costs for electricity are higher. The Committee intends to see an amendment to the Rural Utilities Service legislation to add the terms "renewables" or "renewable energy technologies" as well as "tribes", as "act beneficiaries", under Rural Utility Service.

*IV. M. Energy Sources—Department of Defense*

The Committee is working on a tribal energy initiative to encourage energy development on Indian lands. This includes developing tribal partnerships with Federal agencies, including the Department of Defense. Since the Department of Defense is the largest consumer of energy in the U.S. government, the Committee believes there is an excellent opportunity for tribes to provide power to Department of Defense facilities, installations, and ranges to assist the Department in meeting government agency's obligations to purchase renewable energy and to contribute to the energy security needs of the Department. Accordingly, the Committee may request funding to implement tribal/DOD energy partnerships.

## V. COMMITTEE CONCLUSIONS

On February 28, 2002, the members of the Committee on Indian Affairs favorably adopted this letter of recommendations on the budget views and estimates.

In approving this letter, however, the members of the Committee want to make clear that the Committee reserves the right to supplement this letter with the CRS memorandum on Federal spending trends when it becomes available.

The Committee appreciates the opportunity to provide this information on the President's FY 2003 Budget Request for Indian-related programs to the Committee on the Budget and very much looks forward to working with the Budget Committee in the coming year.

Sincerely,

BEN NIGHTHORSE CAMPBELL,  
*Vice Chairman.*  
DANIEL K. INOUE,  
*Chairman.*

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U.S. SENATE,  
COMMITTEE ON INDIAN AFFAIRS,  
*Washington, DC, March 14, 2002.*

Hon. KENT CONRAD,  
*Chairman, Committee on the Budget, U.S. Senate, Washington, DC.*

Hon. PETE V. DOMENICI,  
*Ranking Member, Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR CHAIRMAN CONRAD AND SENATOR DOMENICI: The Committee on Indian Affairs would like to submit the following amendment to the Views and Estimates Letter, which was submitted to the Committee on the Budget on March 1, 2002.

At the end of paragraph IV.C.3. Office of Vocational and Adult Education, add the following:

The Committee is concerned about the elimination of \$3 million in funding for the United Tribes Technical College (UTTC). UTTC is a unique institution; it is the only intertribally-controlled post-secondary vocational institution in the country, and has been funded in the President's budget every year since 1981. UTTC provides valuable educational opportunities to students from over 40 tribes across the nation, as well as services for their families. The Committee supports funding for UTTC at a minimum of \$3 million.

The Committee also supports \$1.2 million for Crownpoint Institute of Technology (CIT), a fully-accredited postsecondary vocational/technical education institution. Funding for this institute was eliminated in the FY 2002 budget.

Sincerely,

BEN NIGHTHORSE CAMPBELL,  
*Vice Chairman.*  
DANIEL K. INOUE,  
*Chairman.*

U.S. SENATE,  
SELECT COMMITTEE ON INTELLIGENCE,  
*Washington, DC, March 4, 2002.*

Hon. KENT CONRAD,  
*Chairman, Committee on the Budget,*  
*U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: We are writing to respond to your letter dated February 4, 2002, requesting a “views and estimates” report on proposed Fiscal Year 2003 spending for programs and activities that fall within the jurisdiction of the Senate Select Committee on Intelligence.

Consistent with prior years, we will not submit a separate “views and estimates” report for intelligence spending for Fiscal year 2003 because expenditures for intelligence are classified and contained within other specified accounts, including those for the Departments of Defense, State, Treasury, Energy, and Justice.

Should you or any member of your staff have any questions, please contact the Committee’s Budget Director, Melvin Dubee, at (202) 224-1700.

Sincerely,

BOB GRAHAM,  
*Chairman.*  
RICHARD C. SHELBY,  
*Vice Chairman.*

U.S. SENATE,  
COMMITTEE ON THE JUDICIARY,  
*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD, *Chairman.*  
Hon. PETE V. DOMENICI, *Ranking Republican,*  
*Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: Thank you for your letter of February 4, 2002, requesting views and estimates from the Committee on the Judiciary for your consideration as you prepare the Fiscal Year 2003 budget resolution.

During the past year the Justice Department has confronted the unprecedented and daunting challenge of protecting the United States against international terrorism in the wake of the attacks of September 11, 2001, and the subsequent anthrax attacks. The Justice Department, under the leadership of the Attorney General, deserves credit for sustaining the confidence of the American people in the government’s ability to assure their safety.

I have concerns, however, that in the Administration’s budget proposal for Fiscal Year (FY) 2003, only Department of Justice (DOJ) agencies that are considered key to homeland defense would receive large increases in funding, even as the DOJ’s overall discretionary spending would stay level. While increased spending to fight terrorism at home and secure U.S. borders is of great importance, there are a number of questionable figures proposed for the DOJ budget.

The Department of Justice requests a \$30.2 billion budget for FY 2003, which includes \$539.2 million to continue on-going initiatives funded in the FY 2002 Counterterrorism Supplemental. I support the Administration’s decision to give high priority to combating ter-



rorism, including border security. We have a duty, however, to take a closer look at details that may not have been considered when the Supplemental was adopted last year.

FEDERAL BUREAU OF INVESTIGATION

The Justice Department component with plans to grow most sharply is the Federal Bureau of Investigation (FBI). Over a two-year period the FBI budget will increase from \$3.25 billion in FY 2001 to \$4.32 billion in FY 2003. The Judiciary Committee held FBI oversight hearings last year at which some members raised the questions about whether the FBI needed more money or just better management. Senator Grassley and I have also introduced S. 1974, the FBI Reform Act, which seeks to address some of these issues in a bipartisan manner.

Director Robert Mueller is making management reforms. He announced the first phase of his FBI reorganization in December. I praised his action as responding to the need to strengthen FBI intelligence, security, and information management. He and Deputy Attorney General Thompson are now taking a wider look at ways to streamline the FBI responsibilities to enable greater focus on detecting prevention and the investigation of terrorists. This may require a shift of certain types of criminals to be handled by other federal agencies and state law enforcement. The Judiciary Committee will hear from Mr. Mueller and Mr. Thompson on their plans and the realignment of criminal law enforcement tasks.

One of the most important FBI initiatives is the TRILOGY program for upgrading the Bureau's information technology. The Counterterrorism Supplemental for FY 2002 included \$237 million for advanced computer equipment and software under the TRILOGY program, and the FBI requests another \$109.4 million in FY 2003 for information technology projects including TRILOGY. I support these investments. From an oversight perspective, however, I am disappointed that the Justice Department and the FBI have failed to submit quarterly status reports on TRILOGY as required in the Appropriations Act for FY 2001. Such reports are especially important to monitor the effectiveness of planning and testing for new software, and I have urged the Attorney General to provide a current status report on TRILOGY to the Congress as soon as possible.

Over the past seven years, the growth of the FBI's Joint Terrorism Task Forces (JTTF) has strengthened national counterterrorism efforts with full-time participation by other federal agencies and state and local police personnel, co-located at dedicated facilities with support funding in 36 FBI field offices. Director Mueller plans an increase in these task forces to all 56 offices, and I support this plan. After the September 11th attacks, separate Anti-Terrorism Task Forces were established by the Attorney General in each U.S. Attorney's office. Former FBI executives have publicly raised serious concern that the new Task Forces would "undermine the capabilities of the nation's primary agency responsible for the prevention and investigation of terrorist activity." Although a memorandum from Deputy Attorney General Thompson, dated October 25, 2001, indicates that FBI JTTFs retain primary authority for operational and investigative matters not related to prosecutions, the concern expressed by these former

FBI executives about the divided responsibility for investigations through duplicative task forces should be addressed.

For example, the U.S. Attorneys' Anti-Terrorism Task Forces are coordinating the current program for interviews of 5,000 non-resident aliens using state and local law enforcement personnel. The results are to be compiled in a new database for U.S. Attorneys being designed by the Justice Management Division. The development of a new database suggests a long-term investigative role for the U.S. Attorneys-led Task Forces using state and local law enforcement personnel. The potential for divided leadership and accountability is troubling. Moreover, it is not clear whether the Attorney General's Guidelines for FBI investigations would apply to the investigative activities of the U.S. Attorneys' Anti-terrorism Task Forces.

#### IMPROVING STATE AND LOCAL LAW ENFORCEMENT

The Community Oriented Policing Services ("COPS") Program has been a resounding success—since its inception in 1994, the COPS Program has awarded over \$7 billion in grants to law enforcement agencies, putting more than 114,000 new law enforcement officers on the street, and is credited for reducing the crime rate and getting more police officers on the street. I support the full funding of the program to keep COPS on course to fund an additional 36,000 law enforcement officers by the end of 2005 to help maintain communities and reduce crime.

The Administration's Fiscal Year 2003 budget cuts COPS by almost \$500 million. Congress appropriated \$1,050,440,000 for the COPS program for FY02. Enactment of this budget would mean an end to police hiring grants and school resource officers; and drastic reductions in technology, equipment, and support staff grants—on which State and Local law enforcement agencies heavily rely. The request proposes to cut the Universal Hiring Program by 100 percent, cut the COPS in Schools program by 100 percent, and cut the COPS technology program by 67 percent.

The overall budget for COPS does not increase, as the Administration claims. It proposes to cut more than \$1.6 billion from the \$2.5 billion appropriated for FY2002 for state and local law enforcement grants, and, in an accounting shift, combines what is left into a new \$800 million Justice Assistance Grant Program. The budget request places that new grant under the COPS account, making it appear as if overall COPS funds increase, when, in fact, they do not. The Administration merely repackages many of DOJ grant programs, and then cuts their funding.

Grant programs targeted for elimination include the State and Local Law Enforcement Block Grants (LLEBG), which received \$400 million this year; Byrne law enforcement block grants for efforts to improve state and local courts, which received \$500 million for FY02; and aid for states incarcerating illegal aliens, which got \$565 million this year. The Bureau of Justice Assistance (BJA) makes Byrne Program funds available through two types of grant programs: discretionary and formula. Discretionary funds are awarded directly to public and private agencies and private non-profit organizations; formula funds are awarded to the states, which then make subawards to state and local units of government.

I support maintaining the discretionary grant component of the program.

I support full funding of the Edward Byrne Memorial State and Local Law Enforcement Assistance Program to make grants to states, for use by states and local units of government, to improve the functioning of the criminal justice system, with emphasis on violent crimes and serious offenders, and to enforce state and local laws that establish offenses similar to those in the Federal Controlled Substances Act. As a senator from a rural state that relies on these grants to combat crime, I am concerned with these funding and program eliminations, as well as the repackaging of well-established grant programs that have proven to be highly effective for state and local law enforcement agencies. For FY02, Congress authorized \$594,489,000 for the Edward Byrne Memorial State and Local Law Enforcement Assistance Program, of which \$94,489,000 was for discretionary grants and \$500,000,000 was for formula grants under this program.

The President's budget proposes to level-fund the Bulletproof Vest Partnership (BVP) Grant Program at \$25.4 million, even though, through the Bulletproof Vest Partnership Grant Act of 2000, Congress authorized \$50 million for FY 2003 for the successful program that protects the lives of local and state law enforcement officers.

To better protect our nation's law enforcement officers, Senator Campbell and I introduced the Bulletproof Vest Partnership Grant Act which became law in 1998. That law created a \$25 million, 50 percent matching grant program within the Department of Justice to help state and local law enforcement agencies purchase body armor for fiscal years 1999–2001.

Senator Campbell and I sponsored the Bulletproof Vest Partnership Grant Act of 2000 to build upon the success of this program by doubling the annual funding to \$50 million for fiscal years 2002–2004. It improves the program by guaranteeing jurisdictions with fewer than 100,000 residents receive the full 50–50 matching funds because of the tight budgets of these smaller communities. For larger jurisdictions with populations at or over 100,000, the program pays up to 50 percent of each applicant's total vest costs, based upon any remaining funds. Specific funding levels for larger jurisdictions are determined once all applications have been submitted. Given the projected number of eligible jurisdictions and the limit funds available, the BVP already may not have sufficient funds to provide 50 percent for applications from larger jurisdictions. The law also allows for the purchase of stab-proof vests to protect corrections officers and sheriffs who face violent criminal in close quarters in local and county jails. I support for the full funding of \$50 million for the Bulletproof Vest Partnership Grant Program for Fiscal Year 2003.

#### BORDER SECURITY

The Justice Department's budget calls for increased spending on border security, and that proposal is a step in the right direction. I am confident that the Congress will continue on its path toward fulfilling the goal that we included in the USA PATRIOT Act of tripling the number of Border Patrol agents, INS Inspectors, and Customs Service officers, and I am grateful that the Administration ap-

pears supportive of that goal. The security of our borders is not and should not be a partisan issue. We must all recognize that our northern border need to be made dramatically more secure, and we must be willing to provide the necessary funding. This budget is a good start, and I hope we do more to make sure that the Northern Border gets the additional personnel and equipment it needs.

The Northern border provisions added to the anti-terrorism bill, enacted last October, authorize a tripling of border security on the U.S.-Canada boundary. Efforts since then to begin implementing the Northern Border provisions have originated in Congress and have met resistance from the White House. The President's new budget plan is the first movement by the Administration toward those goals. The budget calls for a \$1.2 billion increase for INS law enforcement efforts, from \$4.1 billion in 2002 to \$5.3 billion in 2003. That increase would more than double the number of Border Patrol agents and INS inspectors. In his budget, the President has also said that new hiring should focus particularly on the Northern Border.

The President also proposes a \$300 million increase in the Customs budget for staffing and technology. The President's focus on Northern Border needs applies here as well and Congress should provide more direction to the Customs Service on where to display new staff.

#### TOBACCO LITIGATION RESOURCES

I have been disappointed in the Bush Administration's public comments about its views on the strength of the Justice Department's litigation against the tobacco industry, and its calls for an out-of-court settlement to the pending federal lawsuit against the tobacco industry—a move that could end the government's most aggressive assault against cigarette makers. This is a curious way to begin negotiations to recover billions of taxpayer dollars spent by the federal government on tobacco-related health care costs. History has shown that the tobacco industry is particularly adept at crafting legal loopholes that benefit its bottom line at the expense of the health of the American people. I hope to work to see that the United States' case against the tobacco industry will continue to be thoroughly prosecuted.

The President's budget seeks \$25.2 million for DOJ litigation against the tobacco industry, *United States v. Philip Morris, Inc, et al.*, DDC Civil Action No. 99-2496 ("Tobacco Litigation"). Up to \$44.4 million will be needed, however, as the litigation team prepares for trial, scheduled to begin in July 2003. To fill the gap between the pending program request and requirements, the Department plans to seek Health Care Fraud and Abuse Control (HCFAC) funding as well as funding from other departmental sources, as they have in other years.

Up to \$38.2 million was made available to the tobacco litigation team in FY02 so that the government can comply with fact and expert discovery requirements established by the court and prepare its case for a trial that is only 17 months away. Most of this funding comes from the HCFAC account, though the DOJ also draws on its own resources to fund some team salaries and benefits, the services of experts who are likely to testify, and the services of liti-

gation support specialists responsible for organizing information needed to estimate government awards.

Currently, there are 36 team members (26 attorneys and 10 support staff). Staffing for FY03 is projected to rise to 50 positions. Litigation support will continue to be vital to the team's ability to assess damages that may be paid to the government under civil RICO. These services will also be needed to prepare exhibits, retrieve information for trial attorneys, and provide trial presentation services.

#### PROTECTING CIVIL RIGHTS

In contrast to the President's proposed budget, I support an increase in funding for our nation's essential civil rights enforcement agencies, including the DOJ's Civil Rights Division. This funding would allow the DOJ Civil Rights Division to add positions to prosecute hate crimes, deter the victimization of migrant workers, combat police misconduct, fight housing and employment discrimination, eliminate discrimination against persons with disabilities, guard voting rights, and protect fundamental opportunities.

I am also disturbed by what could be interpreted as a shift in focus away from effective civil rights enforcement. Immediately after the September 11 terrorist attacks, the President addressed the nation and reminded us all that racially, ethnically, and religiously motivated violence would not be tolerated. I commend the President for his public words on this critical issue. It is important that the President and Justice Department match this admirable rhetoric with real enforcement and maintain the Department's longstanding leadership role in national civil rights enforcement during these difficult and eventful times.

The President's proposed budget appears to fall short of the rhetoric. While that budget calls for increased funding for many components of the Department of Justice, these increases do not reach the Civil Rights Division, the chief federal body charged with actually enforcing U.S. civil rights laws. While I support efforts to fund election reform in the states and provide education on hate crimes enforcement to state and local authorities, these efforts are simply no substitute for maintaining a vibrant federal enforcement role in securing our most basic civil rights. These rights, all protected by the enforcement efforts of the Civil Rights Division, include voting, employment, housing, and disability rights as well as the rights of institutionalized persons, protection against police abuse and corruption, protection for victims of trafficking, and hate crimes enforcement.

As one example, the problems of racial, ethnic, gender, sexual orientation, and religious discrimination and violence, unfortunately, stubbornly persist within our borders. We were reminded of these problems by the rash of crimes against Arab and Muslim Americans after the September 11 attacks. These acts, and indeed all acts of discrimination, cut at the very heart of what the terrorists hope to destroy in the United States—our tolerance and our diversity. In recent answers to questions which you provided based upon his December 6, 2001, appearance at the Senate Judiciary Committee, Attorney General Ashcroft noted that the FBI had commenced approximately 300 federal criminal investigations involving post-September 11 attacks on Arab or Muslim Americans, or oth-

ers, based upon their actual or perceived ethnicity. To date, however, there have only been eight federal cases resulting from these approximately 300 investigations. In short, there has been no federal prosecution in over 97 percent of these investigations. I would be remiss if I did not point out this significant gap between the President's admirable rhetoric and the enforcement actions of the Justice Department since September 11.

A second example where rhetoric has outstripped enforcement involves the protection of voting rights. During his confirmation hearing, Attorney General Aschcroft recognized that "[v]oting is a fundamental civil right" and pledged that, if confirmed, he would "work aggressively and vigilantly to enforce federal voting rights laws." He assured the Judiciary Committee that "[i]t will be a top priority of a Bush Department of Justice, part of what I hope would be its legacy." Unfortunately, the President's budget request did not call for any additional resources for the Department's Voting Rights Section, even though there have been recent press reports critical of the Department's role in delaying a redistricting plan for congressional seats in Mississippi are disturbing.

#### COMBATING CYBERCRIME

Technology has ushered in a new age filled with unlimited potential for commerce and communications. The Internet age has also, however, ushered in new challenges for federal, State and local law enforcement officials. These challenges were clearly evident as our nation's law enforcement officials investigated the recent cyberhacker attacks. Congress and the Administration must work together to meet these new challenges while preserving the benefits of our new era.

The Leahy-Dewine Computer Crime Enforcement Act, which authorized a \$25 million Department of Justice grant program to help States prevent and prosecute computer crime, is intended to help States and local agencies in fighting computer crime. Grants under the bipartisan law may be used to provide education, training, and enforcement programs for local law enforcement officers and prosecutors in the rapidly growing field of computer criminal justice. All 50 States have now enacted tough computer crime control laws. They establish a firm groundwork for electronic commerce, and protecting this part of our critical infrastructure. Unfortunately, too many State and local law enforcement agencies are struggling to afford the high cost of training and forensic work needed to realize the potential of State computer crime statutes. I support funding for these important initiatives.

#### CURBING DRUG TRAFFICKING AND ABUSE

Drug use and abuse is a contributing factor to spousal and child abuse, property and violent crime, the spread of AIDS, workplace and motor vehicle accidents, and absenteeism in the workforce. The Senate has already passed a version of S. 304, the Hatch-Leahy Drug Abuse Education, Prevention, and Treatment Act to aid States and local communities in their efforts to prevent and treat drug abuse. It establishes drug treatment grants for rural States and authorizes money for residential treatment centers for mothers addicted to heroin, methamphetamines, or other drugs. This legislation also will help States and communities reduce drug use in

prisons through testing and treatment. It will fund programs designed to reduce recidivism through drug treatment and other services for former prisoners after release. In addition, this bill will reauthorize drug courts and authorize juvenile drug courts. Finally, the bill directs the Sentencing Commission to review and amend penalties for a number of drug crimes involving children. The bill will authorize \$1.4 billion in appropriations over four years. I hope that the Congress will send this bill to the President soon and that the Justice Department will work with us for full funding of the programs it authorizes.

IMPROVING FORENSIC SCIENCE SERVICES AND REDUCING THE DNA  
BACKLOG

Forensic science is widely accepted as a key to effective administration of justice, but State crime laboratories are now seriously bottlenecked. Backlogs in many laboratories have impeded the use of new technologies, such as DNA testing, in solving cases without suspects—and reexamining cases in which there are strong claims of innocence—as laboratories are required to give priority status to those cases in which a suspect is known. Timeliness and quality concerns in the forensic science services threaten the administration of justice in the United States.

Two years ago, Congress passed the Paul Coverdell National Forensic Sciences Improvement Act, which authorizes the appropriation of \$134.7 million for Fiscal Year 2003 to improve State forensic science services for criminal justice purposes. Congress also passed the DNA Analysis Backlog Elimination Act of 2000, which authorizes the appropriation of \$40 million for Fiscal Year 2003 to reduce the backlog of untested DNA samples in our nation's crime labs. I support full funding of each of these programs.

PROTECTING THE ENVIRONMENT AND ENFORCING TAX LAWS

The President's budget also calls for cuts in the Environmental and Natural Resources Division and the Tax Division of the DOJ. These are the Department's components responsible for enforcing the environmental laws and bringing cases against tax evaders. Given the recent tax cuts and changes over the last year in the nation's environmental regulatory scheme, aggressive enforcement of the remaining tax and environmental laws should be a priority. The President's cuts seem to run counter to this idea.

Thank you for your careful consideration of these issues. We look forward to working with you on the Fiscal Year 2003 Budget Resolution.

Sincerely,

PATRICK LEAHY,  
*Chairman.*

## U.S. SENATE, COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP,

*Washington, DC, March 1, 2002.*

Hon. KENT CONRAD,  
*Chairman, Committee on the Budget, U.S. Senate, Washington, DC.*

Hon. PETE DOMENICI,  
*Ranking Minority Member, Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: As Chairman and members of the Committee on Small Business and Entrepreneurship, we are submitting the following views and estimates on the President's FY2003 budget request for the Small Business Administration (SBA or Agency) and other matters under the Committee's jurisdiction in compliance with section 301(d) of the Congressional Budget Act.

## FY 2003 BUDGET REQUEST OVERVIEW

The Administration has requested \$798 million for the SBA's FY2003 budget. Last year, the President requested \$539 million, and Congress appropriated \$768.5 million. While this year's overall request is an increase, virtually all of it goes to administrative expenses and staffing and leaves core programs inadequately funded. To adequately fund those programs, we are short about \$200 million.

Of major concern is the 17 percent decrease in small-business lending and investment programs from \$19.7 billion to \$16.4 billion. The SBA's programs are typically counter-cyclical, growing in demand when the economy is weak and the private sector tightens credit. This economy is proving no different. For example, over the past year, lending surveys by the Federal Reserve found that more than 40 percent of banks cut back on lending to small businesses, making it harder and more expensive to get loans. Consistent with that, in dollars, the FY2002 usage of 7(a) loan is up 16 percent and of 504 loans by 26 percent, over the same period in FY2001. Given the economy and the increased demand for the SBA's credit programs, this budget request is insufficient to meet the needs of small businesses, and we do not support it.

Specifically, we oppose the 50 percent reduction in the 7(a) Loan Guaranty Program, the fee increase in the 504 Loan Guaranty Program, and the insufficient funding for the SBA Microloan Program. The 7(a) loan program, which is critical to our nation's small businesses for long-term working capital, is proposed to be funded at a program level of \$4.85 billion for FY2003. If implemented, that proposal would have a serious impact on our states. For example, in FY2001, 234 small businesses in North Dakota got 7(a) loans, which meant \$41 million invested in the economy and, by the SBA's own budget assumptions, the creation 1,242 jobs. In New Mexico, 201 small businesses got 7(a) loans, which meant \$44 million invested in the economy and the creation of 1,333 jobs. Nationwide, as big business carried out massive lay-offs and two million people lost their jobs, it is estimated that the 7(a) program created nearly 300,000 jobs. To provide \$11 billion in 7(a) loans, we request an additional appropriation of \$93 million to bring the Administration's request of \$85 million to a total of \$178 million.



In order to prevent losing half of that stimulus to the economy, we oppose the budget proposal and request a program level of \$11 billion. This is a slight increase over the historical program level of \$10 billion, but our request is far less than the authorized level of \$16 billion and is reasonable given the increase in demand described earlier.

In addition to inadequate funding for 7(a) loans, we are concerned about the inaccuracy of its subsidy rate. Year after year, we struggle to secure adequate funding only to have the same amount and more returned to Treasury. For example, in FY2002, the budget estimates that \$100 million will be appropriated for working capital loans, and that \$179 million will be returned. Unfortunately, this problem is not isolated. The subsidy rates for most of the SBA's credit programs are a serious problem for the Agency and are burdensome on borrowers and lenders, including the 504 program, the Microloan Program, and the SBIC programs. We ask for the Budget Committee's help in rectifying this problem and possibly amending the Federal Credit Reform Act as you reauthorize it this year.

Another major concern about the budget is funding for the 504 program. As you know, the 504 loan program is not funded through appropriations; it is funded entirely through fees paid by borrowers and lenders. The fees are excessive, and have resulted in about \$400 million in negative re-estimates over the past several years. In the FY2003 budget, even though defaults went down slightly, the subsidy rate for the 504 program went up. Consequently, this caused the borrower's annual loan fee to rise. It is very hard to justify an increase in fees when the President's budget estimates that in FY2002 the 504 loan program will send \$110 million to Treasury. In order to provide fee relief for the borrowers and compensate for the increase, we request \$13 million for the 504 loan program. We also request \$34 million to provide some funding for one year of the two-year fee changes enacted as part of PL 107-100.

Like 7(a) and 504 loans, the budget does not request adequate funding for the Microloan Program. The Administration has requested a program level of \$26.5 million for direct microloans, and \$17.5 million for microloan technical assistance. We are greatly concerned about the technical assistance request because \$17.5 million is not even enough to maintain the outstanding portfolio of microloans.

As you know from previous letters, microloan technical assistance is integral to the success of microentrepreneurs, and therefore to the success of the program, because it helps ensure repayment of the loans. Since this program made its first loan in 1992, there have been no losses to the government. No other program has this success rate. The Committee has had a very hard time securing adequate microloan technical assistance in the past, and we respectfully urge you to consider a level of \$35 million. That would be enough to serve outstanding microloans and to serve new microloans to be made in FY2003. We request a program level of \$35 million for direct microloans because, as with the 7(a) and 504 programs, usage is up. During times of major lay-offs, the need for microlending increases because people turn to self-employment and income-patching to support themselves. In summary, we request an extra appropriation of \$17.5 million for microloan technical assist-

ance for a total budget of \$35 million, and an extra appropriation of \$1.1 million for direct microloans for a total program level of \$35 million.

Unfortunately, microloan technical assistance is not the only non-credit program to be under-funded or cut in the FY2003 budget. The BusinessLINC Program and the Program for Investment for Microenterprises (PRIME) were completely eliminated from the budget. As with last year, we request \$7 million for BusinessLINC and \$15 million for PRIME. Women's Business Centers were funded at \$12 million, and we request an additional \$2.5 million for a program level of \$14.5 million. Between 1997 and 2002, women-owned businesses increased 14 percent, which is twice the rate of all firms in the U.S. It makes no sense to freeze funding for women's business centers when the demand is increasing. The grants to centers have been cut in past years because of inadequate funding. If we are to fund existing centers and also fund new centers, which was Congress' intent when it passed the Women's Business Center Sustainability Act of 1999, then the program must be funded at \$14.5 million.

The Administration has requested \$88 million for the Small Business Development Centers (SBDCs). Once again, this is not adequate to serve small businesses in our country. In FY 2001, the SBDC program provided counseling and training assistance to almost 610,000 clients. These figures represent almost a 5 percent increase over FY2000. Last year 24 states took serious cuts in federal funding because of population changes identified by the 2000 Census. It wasn't because they lost population; it was because their population did not grow as fast as the national average during the '90s. We cannot expect the SBDCs to serve the same number of businesses, with the same quality, with fewer dollars. To rectify the shortfall, consistent with Amendment No. 183 that passed by unanimous consent to the FY2002 budget resolution, we request a program level of \$105 million. This amount would help compensate for the growth in demand and restore cuts that states took last year as a result of the 2000 Census.

We do fully support the following: a program level of \$4.5 billion for 504 loans; a program level of \$4 billion for SBIC Participating Securities; a program level of \$3 billion for SBIC Debentures; \$1.5 million for the state conferences on small business; \$500,000 for PRO-Net; and \$1 million to fund outreach to Native Americans. With an average unemployment rate of 43 percent on reservations, as cited in the budget, it is an understatement to say we need to concentrate on using the SBA's counseling and lending partners to build sustainable economic opportunity in those communities.

As Chairman and members of the Committee, we have two more requests. One, we would like a line item for the SBA's Office of Advocacy. In order to give the Office of Advocacy true independence from the Agency, as has always been intended by its authorizing legislation, it needs to control its budget and its hiring. We also request a line item for the relocation of employees. Under salaries and expenses, the budget for "travel and transportation of employees" increased from \$3.8 million to \$7.9 million. That is more than double. In the footnotes, the increase is justified as "a small increase to restore these funds back to a more normal operating level, plus costs of proposed employee relocations." Rather than

lump the two expenditures together, we recommend separating them.

You have asked for guidance for programs under the jurisdiction of the Committee on Small Business and Entrepreneurship for the ten-year period of 2003–2012. We would like to work further with you to develop these projections because we disagree with the baseline in the chart CBO provided. The starting baseline for FY2002 for the Small Business Administration's credit programs and non-credit programs, which are calculated as part of salaries and expenses, is too low. For example, in FY2002, the President's budget proposal cut funding for the SBA's non-disaster programs by 26 percent. While significant cuts were restored, level funding was far less than levels set by the authorizing Committee, and historically the Agency has not seen adequate funding for its programs to maximize their potential to the economy. We ask that you not use the ten-year projection provided and that we work to establish a baseline before applying CBO's inflators that will guide the budget authority targets for the next ten years.

In closing, let us thank you for all your help last year. While this year's budget for the SBA is not good, last year's was far worse and your support helped prevent harmful proposals from being enacted. Probably the most serious was the increase in interest rates on disaster loans. No one could have known that the terrorist attacks of September 11th would happen, but we do know that the people who lost homes and businesses would be much worse off today if they were being charged more for their disaster loans. Again, thank you.

We look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY2003.

Sincerely,

John F. Kerry; Carl Levin; Tom Harkins; Joseph L. Lieberman; Paul Wellstone; Max Cleland; Mary Landrieu; John Edwards; Maria Cantwell; Jean Carnahan.

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U.S. SENATE, COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP,

*Washington, DC, March 15, 2002.*

Hon. KENT CONRAD,  
*Chairman, Committee on the Budget, United States Senate, Washington, DC.*

Hon. PETE DOMENICI,  
*Ranking Member, Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: As Ranking Member of the Committee on Small Business and Entrepreneurship (Committee), I submit the following views and estimates on the President's Fiscal Year 2003 budget request for the Small Business Administration (SBA) and other matters under the Committee's jurisdiction, as directed by § 301(d) of the Congressional Budget Act.

In general, I continue to believe the SBA must rely more on the electronic delivery of services. Having staff members answering every inquiry would necessitate an unwieldy expansion of SBA personnel, leading to a further expansion of managerial staff to over-

see them. The President's e-government initiatives can find a promising model in the SBA's HUBZone program, in which firms submit their applications electronically. (I have further views on specific electronic initiatives being undertaken by the SBA, below).

However, in some areas the SBA has had additional functions imposed on it by statute, and some additional personnel and funding will be necessary to carry out those mandates in an effective, efficient, and economical manner. This is true even of the HUBZone program, as will also be discussed further below.

*7(a) Guaranteed Business Loan Program.* The small business community must have access to a strong 7(a) loan program to obtain long-term financing that would not otherwise be available. Each year, 40,000 or more small business concerns turn to the SBA's 7(a) program for critical financing. The budget request includes a significant decrease in the program authority from \$10.5 billion to \$4.8 billion. This cutback, if not reversed, will have a harmful impact on small business start-ups and growth.

During the past five years, the Committee studied closely the management of the credit subsidy rates for the credit programs at the SBA. For the past decade, the losses under the programs have declined dramatically; however, these program improvements have not been fully recognized by the Office of Management and Budget (OMB) and the SBA in calculating the credit subsidy rate. Consequently, last year Senate Kerry and I requested the General Accounting Office (GAO) to undertake a comprehensive examination of the 7(a) credit subsidy rate calculations.

In July 2002, the GAO delivered its report to the Committee. Significantly, the GAO revealed that since Fiscal Year 1992, defaults and recoveries for the 7(a) program were overestimated by the SBA and OMB. What the overestimates mean in real cost is that the Federal government collected significantly more money than needed to fund the loss reserve accounts as required under the Credit Reform Act of 1990. Specifically, the GAO found that the Federal government had collected over \$950 million in excess fees paid by borrowers and lenders and by taxpayers' funds appropriated by the Congress. This amount has grown to over \$1.1 billion with the information supplied in the President's Fiscal Year 2003 budget request.

In response to proposed legislation to direct the OMB to correct the credit subsidy rate problem, the Budget Committee staff received assurances last October from the OMB that the 7(a) credit subsidy rate would not exceed 50 basis points (0.50 percent) in the Fiscal Year 2003 budget request. The Small Business Committee relied on the OMB assurances when the Congress passed S. 1196, which lowered the fees paid by the small business borrowers and lenders participating in the 7(a) loan program. The President signed the bill into law on December 21, 2001, as Public Law 107-100. Subsequently, in February 2002, and contrary to the assurances provided by the OMB to the Budget Committee staff in October 2001, the budget request included a credit subsidy rate of 88 basis points (0.88 percent), which is 76 percent higher than the level promised by the OMB.

To some, this difference might seem slight—merely splitting hairs. But in reality, the difference is significant. The 38 basis points (0.38 percent) above the maximum level set by the OMB last

fall means that the Congress will need to appropriate at least an additional \$45.6 million, and probably more, to fund the 7(a) loan program in Fiscal Year 2003. Based on the GAO analysis of the credit subsidy rate, it will not be long before this additional appropriation, along with some fees collected from borrowers and lenders, will be found to be “excess” and will be sent to the general Treasury. It is clear that the SBA and OMB will be collecting fees well in excess of the program’s needs. Unless changes are made to this process, the Congress will have to resort to appropriating funds, which otherwise would not be needed, to allow the 7(a) program to meet the credit needs of the small business community.

*HUBZone Program.* The Historically Underutilized Business Zone (HUBZone) program is one area in which additional funding is needed. This program was adopted in the Small Business Reauthorization Act of 1997 and authorized at \$5 million for Fiscal Years 1998 through 2000. In the Small Business Reauthorization Act of 2000, the HUBZone program was reauthorized at \$10 million for Fiscal Years 2001 through 2003. Actual appropriations for this program, however, have remained at \$2 million each year for Fiscal Years 1998 through 2001. In 2002, an unexpected omission in the Commerce-Justice-State Appropriations bill deleted the HUBZone program funding, although in the Defense/Supplemental Appropriations bill the Congress subsequently directed that HUBZone funding be restored through a reprogramming request.

Although the Federal government has numerous economic development programs, the HUBZone program is a unique response to a particular problem. Economic development in distressed areas is particularly challenging due to the lack of an established customer base. Tax abatements, regulatory relief, and other incentives to attract small business into distressed areas are important but inadequate. Indeed, if businesses that locate in historically underutilized business areas do not have customers, they will soon fail and the economic development efforts will be for naught. The HUBZone program answers this need by providing incentives for the government to act as a customer to these businesses. While HUBZone firms stabilize their revenues and establish a non-governmental customer base, Federal contracts can keep these firms alive and keep the economic development effort from collapsing.

Consistent underfunding of the HUBZone program threatens the program’s ability to deliver on these promises. In Fiscal Year 2003, Federal agencies are to award 3% of all prime contract dollars through the program, or approximately \$6 billion in prime contracts. Moreover, § 8(d) of the Small Business Act requires large business concerns to submit HUBZone program subcontracting plans in contracts over \$500,000 (\$1 million for construction contracts). To date, the SBA has certified over 4,700 firms in the HUBZone program, a substantial improvement over last year. However, 4,700 firms is still insufficient to support this volume of contracting. Additional funding is necessary to seek out and certify a sufficient number of qualified firms, and particularly to identify firms that supply goods and services needed by Federal purchasing offices in different regions of the country. As HUBZone participation increases, the need for increased enforcement and oversight of program requirements will also increase correspondingly. Accordingly, the HUBZone appropriation for Fiscal Year 2003 should be

increased, at a minimum, to the \$5 million originally authorized in the HUBZone Act of 1997.

*Procurement Center Representatives (PCRs).* Like all Federal agencies whose workforce is nearing retirement age, the SBA also faces a serious “brain-drain” of procurement knowledge as its staff of Procurement Center Representatives (PCRs) has shrunk below sustainable levels. Moreover, many of the existing staff have no funding to travel to the procurement centers nominally assigned to them, so the SBA’s ability to monitor and strengthen small business contracting is even less than it appears on its face.

Failure to hire and retain sufficient PCRs will further diminish the SBA’s ability to carry out its statutory mandates as existing staff retires. Procurement is a technical discipline that requires knowledge and experience to manage effectively. Insufficient staff cannot be overcome by tasking these responsibilities to other SBA employees as a part-time function. Without enough PCRs, the SBA will be unable to work with procuring centers to develop small business-friendly procurement strategies, and will be forced to intervene at the last minute (for example) to appeal proposed bundling of contracts. This will result in delays in contracting by other agencies, frustrating their efforts to carry out their own responsibilities.

Accordingly, the budget should include funding to hire and train an additional 20 PCRs in Fiscal Year 2003, while replacing attrition among existing PCRs. Based on costs to hire PCRs in the past, this will require an additional \$2 million for the SBA Office of Government Contracting. Reports accompanying the budget resolution should clearly state the purpose for which this funding is provided, to ensure it is allocated to its intended purpose.

*Federal and State Technology (FAST) Partnership Program.* This program, established by the Small Business Innovation Research (SBIR) Program Reauthorization Act of 2000, is a competitive matching-grant program to encourage States to create an atmosphere conducive to the development of high-technology small businesses, including the establishment of coalitions of university and private sector organizations. While the program is administered by the SBA, each agency with an SBIR program participates in the determination of State programs that should be funded. The FAST program is intended to support the SBIR program, by marshalling more and higher quality research and development proposals to SBIR agencies.

The SBA was appropriated \$3.0 million for the FAST program for Fiscal Year 2002. Fifty States, the District of Columbia and four territories are eligible for funds under the program. While funding under the FAST program is to be provided on a competitive basis and the program does not require that each State receive funds, if each State or jurisdiction submits an eligible proposal and receives funds, the average grant amount will be approximately \$54,500. This amount is insufficient to provide an effective incentive to States to encourage the development of small, high-technology businesses. Therefore, I request that the FAST program be funded at its authorized level of \$10 million.

*SBIR Technical Assistance (Rural Outreach Program).* One critical component of the SBIR program, to help small companies in rural States seek SBIR awards, is the Rural Outreach Program

(ROP). The Rural Outreach Program provides technical assistance grants to State programs and research centers to assist small companies in preparing Small Business Innovative Research submissions seeking research awards. Currently, many of the SBIR awards are awarded to small businesses in urban States. The ROP is designed to create a more competitive atmosphere by providing rural States with leverage to assist their small businesses seeking research awards. Currently, 25 States participate in the ROP.

For Fiscal Year 2003, the Administration seeks to fund the ROP at \$500,000. This amount would provide only \$20,000 per State, which is insufficient for States to maintain even their current ROP efforts. I believe that the ROP should be funded for Fiscal Year 2003 at its authorized level of \$2 million.

*Office of National Ombudsman.* Once again the budget request proposes to under-fund and undermine the importance of this program by requesting the same flat-line amount of \$500,000, which has served as a virtual placeholder for this line-item. I find this astonishing. When President Bush was sworn into office, he took an early lead in reviewing the crunch of last-minute regulations pushed through by the outgoing Clinton Administration. It is therefore remarkable that the Administration's budget shows so little support for Office of National Ombudsman and its efforts to monitor the impact of regulations on small businesses. I would think this program would be in-tune with the President's oversight of agency regulations and would warrant greater support.

The Regulatory Fairness program, administered by the Ombudsman, was created under the Small Business Regulatory Enforcement Fairness Act (SBREFA) that passed the Senate without opposition in 1996 (Public Law 104-121). The SBA Office of National Ombudsman is charged with overseeing the ten Regional Fairness Boards that convene throughout the U.S. to listen to small businesses described their experiences with Federal regulatory agencies. This program provides small businesses an opportunity to tell someone in the Federal government when they have been treated unfairly by agencies in enforcement actions. This is not about small businesses trying to avoid their responsibilities; it is about providing a sounding board so that the Administration and the Congress can find out what is actually happening out in the country.

This program therefore provides a critical link between small businesses and Federal agencies. In Fiscal Years 2001 and 2002, this program was appropriated only \$500,000, making it very difficult to conduct the necessary follow-up to ensure that agencies are responding to the concerns raised through the reports submitted by the Fairness Boards. This undermined the ability of the program to meet the goals I envisioned in the SBREFA legislation.

At a minimum, this allocation should be increased to \$1.625 million. This will permit more meetings of the Regulatory Fairness Boards to be held and more staff to be hired. With ten Regional Fairness Boards throughout the country, at approximately \$10,000 per meeting, the previous allocation only allowed one meeting of each board per year. This should be increased to at least four meetings per board per year, which will require an increase of approximately \$300,000. Ideally, at least one meeting of a board should occur in each State each year. Further, increased staff support will

allow for greater specialization and thus better follow-up with the agencies.

Finally, this greater allocation will permit more promotion of the program and greater use of technology by designing better on-line filing options for small businesses to file their complaints. One of the problems with this program has been a lack of awareness among small businesses, so that they have not come forward with their accounts of how they were treated by Federal agencies. This can be resolved, consistent with the President's e-government initiatives, through technology.

*Small Business Development Center (SBDC) Program.* The SBDC program is the SBA's largest management and technical assistance program. The SBDCs serve more small businesses and individual entrepreneurs than all other SBA programs, credit and non-credit, combined. In Fiscal Year 2001, the SBDC program provided counseling and training assistance to over 600,000 persons and small businesses.

The budget request of \$88 million is the same amount that was appropriated for Fiscal Year 2002. This amount, while significant, fails to address the changes that have occurred in recent years. As the result of the 2000 Census, twenty-four State SBDC programs have taken cuts in SBA funding for Fiscal Year 2002. These twenty-four States took cuts, not because they lost population, but because their population did not grow as fast as the national average during the 1990s. Consequently, I recommend that the SBDC funding is increased to \$105 million so that SBDC services will not be curtailed in States that are experiencing decreases in funding from the SBA.

*E-Government Portal Business Compliance One-Stop.* The request is \$5 million to develop a better government Internet portal for small businesses is one that requires close scrutiny. In the past, I have been concerned about the SBA's ability to define clear project goals. Sometimes, it appears that the SBA's appetite for funding is greater than its ability to manage and implement the task all the way through to completion. The Committee has submitted to the SBA a number of questions in this area, following the SBA budget hearing conducted on February 27th. Answers to these questions will provide a better idea of an appropriate funding level for this initiative. My staff will be at your disposal for funding discussions when those answers have been provided and reviewed.

*Other E-Government Initiatives.* I support the President's request for \$2.8 million to upgrade information technology infrastructure and to enhance IT security. Obviously, the current international environment has made all government entities more conscious of security needs, both physical security and electronic security. I am concerned that the SBA has been slow to conduct risk assessments, and I urge the SBA to complete them during Fiscal Year 2003. The President has also proposed \$750,000 to implement an electronic documents management system. I support this effort.

Thank you for the opportunity to comment on programs within the Committee's jurisdiction. I look forward to working with you to develop a budget resolution that is cognizant of both the Administration's reform agenda and of the need for a strong small business program. If you have questions about this letter, please contact



Cordell Smith of my Small Business Committee staff at (202) 224-4086.

Sincerely,

CHRISTOPHER S. BOND,  
*Ranking Member.*

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U.S. SENATE,  
COMMITTEE ON VETERANS' AFFAIRS,  
*Washington, DC, March 6, 2002.*

Hon. KENT CONRAD, *Chairman.*

Hon. PETE V. DOMENICI, *Ranking Member,*

*Committee on the Budget, U.S. Senate, Washington, DC.*

DEAR KENT AND PETE: Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the leadership of the Committee on Veterans' Affairs (hereafter, "Committee") hereby reports to the Committee on the Budget its views and estimates on the fiscal year 2003 (hereafter, "FY 03") budget for Function 700 (Veterans' Benefits and Services), and for Function 500 (Education, Training, Employment and Social Services) programs within the Committee's jurisdiction. This letter fulfills the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction.

#### I. SUMMARY

The Department of Veterans Affairs (VA) requires \$2.5 billion in additional funding in FY 03 to support its medical care operations. This needed sum includes \$1.1 billion to obviate the need for a proposed health care deductible—a proposal which we find unacceptable—and \$1.4 billion to cover payroll increases for VA health care personnel, medical inflation, and VA's existing medical care shortfall. We expect VA to improve insurance collections by \$400 million over and above the \$400 million in added collection revenues that VA already projects for FY 03. Thus, we limit our requested medical care increase to \$2.1 billion for FY 03. An increase limited to that amount will allow VA to maintain current services and obviate the need for legislation to suppress demand.

As you both are undoubtedly aware, VA's proposed budget—and all Department budgets—show increases in discretionary spending of 2.9 percent attributable to a proposed shift in personnel-related costs under proposed legislation to revise accounting for Federal pension and post-retirement health benefits contributions. We express no view on this technical proposal. Our statements with respect to proposed funding levels for VA, however, do not assume that costs associated with this proposal will be transferred to VA.

With respect to mandatory account programs, we support the Administration's request—as far as it goes. But we request, in addition, funding sufficient to allow for an increase in survivors' educational benefits.

#### II. DISCRETIONARY ACCOUNT SPENDING

##### **A. Proposed Medical Care Spending**

VA requires a significant increase in funding to better address the needs of an aging population, to improve services and quality,

and to reduce clinical waiting times. But VA does not request the level of funding needed. Instead, it requests legislation to impose new fees—a \$1500 annual “deductible” on so-called “Priority 7” veterans. We oppose this proposal. Accordingly, while we agree with the Administration on the level of funding required to support the VA health care system, we differ on the amount that needs to be appropriated—and the amount that can be collected from insurance carriers and garnered directly from veterans in the form of fees and deductibles. Our views are summarized below:

FY 2003 PROPOSED MEDICAL CARE BUDGET (\$)

Current services	Deductible offset	Total as-sets re-quired	Collections efficiencies	Committee view of appro-riation
Payroll: 572 m		.....	Consolidate MCCF operations	
Inflation: 396 m		.....	Execute private sector con-tracts	
Drug Costs: 306 m	Revenue: 260 m	.....	Reduce outstanding receiv-ables	
FY 02 Deficit: 258 m	Enrollment: 855 m	.....	Require enrollees' insurance information	
Total: <sup>1</sup> +\$1.4b	+\$1.1b	+\$2.5b	-\$0.4b	— <sup>2</sup> +\$2.1b

<sup>1</sup>The cost of maintaining current services plus compensating for the FY 02 shortfall actually exceeds \$1.4 billion. We have chosen, however, to limit our base calculations to this level.

<sup>2</sup>Total excludes the Administration's proposed accrual of full funding for Federal retiree costs.

*1. Current Services (+\$1.4 billion)*

Payroll inflation, increases in the costs of goods, and other “uncontrollables” dictate funding increases of at least \$1.27 billion in FY 03 simply to maintain the level of current services. In addition to this amount, the VA health care system is currently running a sizeable deficit which is accounted for in our proposed level of funding.

VA's medical care payroll costs will increase by almost \$572 million in FY 03 due to non-optional cost-of-living and within-grade salary and wage adjustments and increases in government-paid Social Security, health insurance, retirement, and other benefits. The cost of inflation and rate changes for goods and services dictates an additional \$396 million in funding in FY 03. And according to VA, pharmaceutical inflation requires \$306 million in funding over and above the amount included in general inflation request. This additional pharmaceutical need comes despite an aggressive VA pharmaceutical management program.

VA's FY 02 deficit also requires attention. To partially fill the \$400 million deficit in the current fiscal year, it is our understanding that the Administration will request \$142 million in supplemental funding. The remainder—\$258 million—must also be addressed, as it is manifesting itself in disturbing ways: VA is approving no new community-based clinics; managers of many existing community-based clinics have been told to stop accepting new patients; hundreds of millions of dollars have been reallocated from 16 health care networks to fund emergency shortfalls in five networks; and waiting times for even basic primary care have grown to alarming levels.

*2. Proposed \$1,500 Deductible (+\$1.1 billion)*

VA has seen a substantial increase in enrollment, especially in the number of Priority 7 veterans—so-called “higher income” veterans—whose financial means are above approximately \$24,000. There are about 1.9 million currently-enrolled Priority 7 veterans; VA projects further growth, estimating that the number of Priority 7 enrollees will account for more than one-third of the total number of enrollees in FY 07. Anecdotal evidence (provided in the form of testimony before this Committee in July 2001) suggests that many Priority 7 veterans have turned to VA for drug coverage because Medicare lacks similar coverage.

While the Administration’s request assumes that enrollment will remain open, the deductible is most certainly designed to slow the growth of enrollees. VA estimates that the deductible—if it were to be enacted—would raise \$260 million in revenue. More significantly, it estimates that enactment would cause more than 100,000 veterans to leave (or choose to not enroll in) the VA medical care system, yielding “savings” of \$855 million. We believe veterans needing care should not be deterred from enrolling for care. Our view is that the \$1.1 billion in projected savings and revenue stemming from a proposed deductible designed to deter such enrollment must be allocated to the VA medical care account.

*3. Efficiencies from the Medical Care Cost Collections Fund (–\$400 million)*

While we concur with VA that at least \$2.5 billion in additional spending for FY 03 is needed to support medical care operations, we estimate that only \$2.1 billion of that amount need come from appropriations. We are confident that the remaining \$400 million in discretionary resources can be secured through both efficiencies in VA’s management and needed improvements to VA’s medical collections effort. VA anticipates collecting \$1.5 billion in “third party” insurance and TRICARE reimbursements and “first party” patient copayments. VA can—and VA must—do much better than this.

VA’s increase in the prescription drug copayment alone will increase collections by approximately \$140 million. In addition, inflation-driven increases in the “reasonable rates” VA will charge to insurance companies in FY 03 will generate additional collections. VA also expects to implement new long-term care copayments for nonservice-connected veterans with incomes over \$9,000 per year; it anticipates an additional \$40 million in revenue from this change. Finally, additional collections from insurers will be made possible by our rejection of the proposed \$1500 deductible since patients with insurance coverage will not have been deterred from enrolling for VA care. These modifications alone—modifications that will not require VA improve its business practices at all—will allow VA to approach its goal of collecting \$1.5 billion from first and third-party sources. But VA must do more.

We believe VA can add to least \$400 million more to the \$1.5 billion target it has set for itself. VA must consolidate collection operations, take advantage of private sector contract opportunities, and reduce outstanding receivables (currently more than \$700 million in receivables are due). VA must also improve clinician medical record documentation and be more persistent in requiring that vet-

erans provide insurance information when they enroll for and receive health care. (VA currently identifies insurance from only 15% of veterans seeking care for nonservice-connected conditions.) For our part, the Committee will examine proposals to require health insurance companies to recognize VA as a preferred provider. Such proposals may enable VA to foster closer working relationships with these companies and result in smoother billing practices.

## **B. Construction**

We support VA's proposal to move forward now on construction of the national cemeteries mandated by Public Law 106-117. We hope that the request will enable VA to gain full funding for these—and other—projects. There can be no delay as the World War II and Korean War veterans are aging rapidly.

We are also pleased to see a proposed increase of \$7 million for the State Veterans Cemetery Grant Program. This program is a popular alternative for States with small veteran populations; it provides a way for those States to honor and commemorate the service of their veterans.

We also support VA's requested funding for major and minor medical construction. The VA health care system has significant infrastructure needs that have gone unfunded in the past several budget cycles. While the Committee still must authorize all major construction projects—and it looks forward to reviewing the merits of requested projects—we nonetheless are pleased to see a proper funding request in this budget. We support the level sought for both the major and minor construction needs of VA.

## **C. General Operating Expenses**

We support the VA budget request of \$1.4 billion for the General Operating Expenses (GOE) account. The request will support an increase of 147 FTE over the FY 02 level on the heels of two years of 800+ FTE increases. VA has indicated that the Veterans Benefits Administration (VBA) cannot absorb greater increases; new employees hired over the last two years are only now getting up to speed.

We are cognizant of VA data gathering limitations which prevent VA from demonstrating the level of gains, if any, already achieved from the influx of newly-hired employees. It is significant, we think, that the President's nominee to serve as Under Secretary for Benefits, who also chaired the Secretary's Task Force to examine VA's claims processing system, has stated as follows: "I must say that I think the VA has the necessary resources right now to do the job . . . the Agency can't justify asking for more people right now." In light of that, we do not seek additional FTE for the GOE account at this time.

## **D. Veterans Employment and Training Service**

VA's proposed budget assumes a shift of veterans employment and training services from the Department of Labor (DOL) to VA, a shift that would result in the movement of \$197 million in discre-

tionary appropriations from DOL to VA. VA has not described how existing programs would be replaced except to state that it would initiate a “competitive grant program.” Without a more detailed program design, we cannot realistically assess anticipated program costs or required staffing levels. And inasmuch as this proposed transfer has not been authorized or even formally requested, it is clearly premature for VA to include anticipated costs in its proposed FY 03 budget.

### E. Emergency Preparedness

This year, preparations for the consequences of terrorism have affected all Federal budget and all hospital networks, VA’s included. VA must equip and train staff to protect themselves—and VA patients—during a crisis. VA must also meet its obligations to provide care to potential civilian casualties; it does so by serving as the largest single medical asset supporting the Federal Response Plan for disasters, the infrastructure backbone of the National Disaster Medical System, and as the medical back-up to the Department of Defense. In October 2001, VA’s Preparedness Review Working Group estimated that a minimum of \$118 million would be required to prepare the health care delivery system alone for disasters. The VA budget requests only \$55 million for all emergency programs.

FY 2003 COMMITTEE ESTIMATE FOR MINIMAL EMERGENCY MEDICAL PREPAREDNESS (\$)

Personal protective equipment/Patient decontamination equipment	Staff disaster training	Emergency PTSD services	Regional pharmaceutical caches	Minimum total	FY 2003 request
100 m	2 m	10 m	6 m	118 m	55 m

We believe VA’s FY 03 budget should include, at minimum, \$118 million for emergency preparedness. This minimal investment is required if VA medical centers are to avoid choosing between emergency preparedness and necessary medical care for veterans. In addition, we believe that VA could play a much greater role in preparing for and meeting mass medical care needs during a public health crisis. Although we make no separate request for preparedness funds for this purpose, we anticipate doing so in the future after careful consideration of VA’s potential contribution and concomitant needs in the context of homeland security.

### III. MANDATORY ACCOUNT SPENDING

We support the budget request \$29.6 billion, which reflects an increase of \$1.6 billion in mandatory funds for benefits payments above the FY 02 level of \$28.6 billion. This increase in mandatory funds provides for a 1.8 percent cost of living adjustment in 2003. But we also recommend an increase, above the FY 03 baseline, in the mandatory spending ceiling of \$250 million in FY 03, \$1.3 billion from FY 03 through FY 07, and \$2.5 billion from FY 03 through FY 12.

### **A. OBRA Provision**

The budget request recommends legislation to make permanent an Omnibus Budget Reconciliation Act (OBRA) extender—information-matching with the IRS to verify VA needs-based pensioners' income. Last year's budget resolution assumed that this provision, which expires at the end of FY 02, would be extended. However, there were jurisdictional complications associated with a necessary corresponding amendment to the tax code allowing the IRS to provide to VA requested information. We will work to overcome these obstacles this year. And while we intend to extend this provision of law, we do not anticipate making it permanent.

### **B. Survivors' and Dependents' Education Assistance**

Last year's budget resolution afforded the Veterans' Committees the opportunity to make significant enhancements to Montgomery GI Bill (MGIB) education benefits and other veterans' programs through enactment of the Veterans Education and Benefits Expansion Act of 2001. We appreciate your action to make these statutory improvements possible. The centerpiece of this legislation was an historic, 47 percent increase in the MGIB monthly benefit. This increase, after it is phased-in over a two year period, will provide for a basic monthly benefit of \$985 beginning in October 2003.

The Veterans Education and Benefits Expansion Act also increased the Survivors' and Dependents' Education Assistance (DEA) monthly education benefit—but only from \$607 to \$670. (DEA benefits are provided to the spouses and dependent children of a) service members who die on active duty, b) veterans who die as a result of service related injuries, and c) veterans who are permanently and totally disabled.) A recent VA program evaluation report concluded that increasing the DEA monthly benefit to approximately \$800 would encourage usage among almost 90% of those who otherwise would not have used it. Furthermore, the report recommended that future DEA benefits "should be the same as [the] MGIB benefit." VA concurs as indicated by testimony of Deputy Secretary of Veterans Affairs Leo McKay before the Committee. Accordingly, we hope to increase the DEA monthly benefit to the same amount, and on the same phased-in basis, as the MGIB monthly benefit. That reform would increase direct spending by \$250 million in FY 03, \$1.3 billion in FY 03–FY 07, and \$2.5 billion in FY 03–FY 12. We request an adjustment to the Committee's mandatory account spending ceilings to accommodate this needed legislation.

Sincerely,

JOHN D. ROCKEFELLER IV,  
*Chairman.*

ARLEN SPECTER,  
*Ranking Member.*

### VIII. COMMITTEE VOTES

On March 20, 2002, Chairman Conrad presented the Chairman's Mark for the fiscal year 2003 budget resolution to the Committee.

Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

MARCH 20, 2002

(1) By a vote of 20 yeas to 0 nays the Committee agreed to the Conrad motion that the Committee begin consideration with the Chairman's mark as original text for purposes of amendment, and that no amendment be in order that would increase spending or reduce revenues relative to the Chairman's mark unless the amendment is fully offset in each and every year, except for an amendment in the nature of a substitute to be offered by Senator Hollings, a Republican substitute, and a substitute representing President Bush's budget.

Yeas: 20

Nays: 0

Conrad  
Hollings  
Sarbanes  
Murray  
Wyden  
Feingold  
Johnson  
Byrd  
Nelson  
Stabenow  
Clinton  
Corzine  
Domenici  
Nickles  
Bond  
Gregg  
Snowe  
Frist  
Smith  
Allard

Not voting: Grassley, Gramm, Hagel.

MARCH 21, 2002

(2) By voice vote the Committee adopted the Clinton and Johnson amendment expressing the sense of the Senate that Congress should provide sufficient resources to ensure beneficiary access to high quality health services provided by home health agencies, skilled nursing facilities, physicians, and hospitals, including rural, teaching, community, and safety-net hospitals that serve communities across the nation.

(3) By voice vote the Committee adopted the Feingold, Bond, Stabenow, and Nelson amendment expressing the sense of the Senate that Congress and the administration should work together to avoid the 15 percent reduction in the prospective payment system for home health care and extend the 10 percent bonus payment for rural Medicare home health providers.

(4) By voice vote the Committee adopted the Snowe amendment expressing the sense of the Senate that Congress should increase funding for the Child Care and Development Fund to meet the

work requirements under the reauthorization of welfare programs and to allow states to expand child care programs to meet the needs of lower-income working families.

(5) By voice vote the Committee adopted the Feingold amendment expressing the sense of the Senate that the resolution assumes the Department of Defense will give priority to funding the Active Guard/Reserves and Military Technicians at least at the minimum required levels.

(6) By voice vote the Committee adopted the Nelson amendment expressing the sense of the Senate that science and technology should be no less than three percent of the budget of the Department of Defense by 2007.

(7) By voice vote the Committee adopted the Johnson, Conrad, and Domenici amendment expressing the sense of the Senate that priority consideration will be provided to tribal colleges through funding for the Tribally Controlled College or University Assistance Act, the Equity in Educational Land Grant Status Act, and Title III of the Higher Education Act; and such priority consideration reflects Congress' intent to continue to work toward statutory Federal funding goals for the Tribal Colleges and Universities.

(8) By voice vote the Committee adopted the Stabenow amendment expressing the sense of the Senate that Congress should request that the Department of Defense review the findings of the "Tail-to-Tooth Commission" and should closely evaluate ways to streamline overhead and support functions, and any savings made in this area should be used to provide the best support to our troops fighting the war or terrorism on critical resources for homeland defense.

(9) By voice vote the Committee adopted the Feingold, Grassley, Murray, Johnson, Domenici, and Smith amendment expressing the sense of the Senate encouraging the promotion of geographic equity in Medicare fee-for-service payments and rewarding, rather than punishing, providers who deliver high-quality, cost effective Medicare services in all areas of the country.

(10) By voice vote the Committee adopted the Smith, Snowe, Clinton, and Corzine amendment expressing the sense of the Senate that sufficient funding will be made available to expand access to affordable health care coverage for the uninsured; and that such funding shall permit a mix of options for private and public coverage, build upon and strengthen private and public coverage, target those who need it most, avoid creating new bureaucracies, and promote flexibility in expanding coverage.

(11) By voice vote the Committee adopted the Nelson amendment expressing the sense of the Senate that Congress should repeal any law that established the offset of military retired pay by Veterans Disability Compensation, enact legislation that fully funds restoration of military retired pay to eligible disabled veterans, and that the President should provide full funding for military retired pay in future budget requests.

(12) By voice vote the Committee adopted the Domenici amendment expressing the sense of the Senate that Congress should establish a National Commission on Medicaid and State-Based Health Care Reform to study and make recommendations to the Congress, the President, and the OHS Secretary with respect to the program under title XIX of the Social Security Act.



(13) By voice vote the Committee adopted the Stabenow amendment expressing the sense of the Senate that if Congress passes legislation that utilizes market forces and competition to lower the cost of prescription drugs, and if CBO says that these measures save the Federal government money, these savings should be set aside to enhance a prescription drug benefit for Medicare recipients.

(14) By voice vote the Committee adopted the Feingold and Smith amendment expressing the sense of the Senate that the maximum Pell Grant award should be raised to the maximum extent practicable, and funding for the Pell Grant program should be higher than the level requested by the President.

(15) By voice vote the Committee adopted the Corzine amendment expressing the sense of the Senate that Congress should reject the reductions in guaranteed Social Security benefits proposed by the President's Commission to Strengthen Social Security.

(16) By voice vote the Committee adopted the Sarbanes amendment expressing the sense of the Senate that the Assistance to Firefighters Grant Program administered by FEMA should be fully funded and remain a separate and distinct program that provides financial resources for basic fire fighting needs.

(17) By voice vote the Committee adopted the Snowe, Smith, and Stabenow amendment against reducing Social Security benefits.

(18) By voice vote the Committee adopted the Clinton amendment expressing the sense of the Senate that adequate stockpiles be made available for all routine immunizations universally recommended for children.

(19) By voice vote the Committee adopted the Smith amendment expressing the sense of the Senate that the Payment in Lieu of Taxes ("PILT") program should be fully funded.

(20) By voice vote the Committee adopted the Corzine amendment expressing the sense of the Senate that funding for Superfund be at a level sufficient to significantly increase the number of toxic waste sites cleaned up through the Superfund program.

(21) By voice vote the Committee adopted the Clinton amendment expressing the sense of the Senate that the Federal government should pay for the costs incurred by state and local government for providing services to undocumented immigrants.

(22) By voice vote the Committee adopted the Grassley amendment expressing the sense of the Senate that the FBI should not receive the additional \$21 million in budget authority requested for the National Infrastructure Protection Center ("NIPC") until the Attorney General reports to the Congress that NIPC will remain an inter-agency organization and will not be transferred solely to the FBI.

(23) By voice vote the Committee adopted the Allard amendment expressing the sense of the Senate regarding a Senate vote on a balanced budget Constitutional amendment, with Senators Sarbanes and Murray voting in the negative.

(24) By voice vote the Committee adopted the Nelson amendment expressing the sense of the Senate that none of the funds provided in this resolution should be used to provide reimbursements under the Medicare program to any provider who requires beneficiaries to pay an access or membership fee, or requires the purchase of non-

Medicare-covered services as a precondition for receiving Medicare-covered care.

(25) By voice vote the Committee adopted the Domenici amendment to provide revenue reductions, offset with a corresponding unspecified reduction in spending in Function 920, for legislation to ensure that group health plans and group health insurance issuers who offer mental health benefits do not impose different treatment conditions or financial requirements for mental health benefits than they do for medical/surgical benefits; and providing that there shall be no negative impact on the Social Security trust funds as a result of the amendment.

(26) By a vote of 22 yeas to 0 nays the Committee adopted the Conrad amendment expressing the sense of the Senate that the Committee on Finance should extend the child tax credit for 2011 and the succeeding years, and that the Committee on Finance should offset the cost of that extension by enacting legislation to close down abusive corporate tax shelters and other abusive tax practices brought to light as a result of its investigations into the collapse of the Enron Corporation.

Yeas: 22

Nays: 0

Conrad  
Hollings  
Sarbanes  
Murray  
Wyden  
Feingold  
Johnson  
Byrd  
Nelson  
Stabenow  
Clinton  
Corzine  
Domenici  
Grassley  
Nickles  
Gramm  
Bond  
Gregg  
Snowe  
Frist  
Smith  
Allard

Not voting: Hagel.

(27) By a vote of 10 yeas to 12 nays the Committee defeated the Gramm amendment to make unspecified spending cuts in Function 920 of over \$56 billion, and use the proceeds to reduce revenues.

Yeas: 10

Nays: 12

Domenici	Conrad
Grassley	Hollings
Nickles	Sarbanes
Gramm	Murray
Bond	Wyden
Gregg	Feingold

Snowe	Johnson
Frist	Byrd
Smith	Nelson
Allard	Stabenow
	Clinton
	Corzine

Not voting: Hagel.

(28) By a vote of 11 to 11 the Committee defeated the Gregg and Feingold amendment, as modified, to establish discretionary spending limits; to allow Senators to have provisions of appropriations bills, amendments, and conference reports stricken pursuant to a supermajority point of order; and provide that if Congress has not adopted a concurrent resolution on the budget for any of fiscal years 2003 through 2007 before May 15 of each of those calendar years, then the discretionary spending limits in the amendment would become 302(a) spending allocations to the Appropriations Committee.

Yeas: 11	Nays: 11
Feingold	Conrad
Domenici	Hollings
Grassley	Sarbanes
Nickles	Murray
Gramm	Wyden
Bond	Johnson
Gregg	Byrd
Snowe	Nelson
Frist	Stabenow
Smith	Clinton
Allard	Corzine

Not voting: Hagel.

(29) By a vote of 8 yeas to 14 nays the Committee defeated the Conrad amendment in the nature of a substitute reflecting President Bush's budget for fiscal year 2003.

Yeas: 8	Nays: 14
Domenici	Conrad
Grassley	Hollings
Nickles	Sarbanes
Gramm	Murray
Bond	Wyden
Gregg	Feingold
Frist	Johnson
Allard	Byrd
	Nelson
	Stabenow
	Clinton
	Corzine
	Snowe
	Smith

Not voting: Hagel.

(30) By a vote of 13 yeas to 9 nays the Committee adopted the Domenici amendment to add discretionary spending limits for fiscal

year 2003 for purposes of Senate enforcement at a level of \$768.089 billion in budget authority and \$794.736 billion in outlays.

Yeas: 13

Feingold  
Nelson  
Stabenow  
Domenici  
Grassley  
Nickles  
Gramm  
Bond  
Gregg  
Snowe  
Frist  
Smith  
Allard

Nays: 9

Conrad  
Hollings  
Sarbanes  
Murray  
Wyden  
Johnson  
Byrd  
Clinton  
Corzine

Not voting: Hagel.

(31) By a vote of 10 yeas to 12 nays the Committee defeated the Domenici amendment to (1) eliminate the reserve fund in the Chairman's mark which provides additional funding for defense-related expenses in fiscal years 2005 through 2012 if they are needed, up to the level requested by the President in his budget; (2) make unspecified spending cuts in Function 920 by \$179.907 billion in budget authority and \$160.460 billion in outlays over the next 10 years; (3) cut national defense spending by \$5.579 billion in budget authority and outlays in fiscal year 2004; and (4) increase defense spending by a total of \$185.486 billion in budget authority and \$166.039 billion in outlays in fiscal years 2005 through 2012.

Yeas: 10

Domenici  
Grassley  
Nickles  
Gramm  
Bond  
Gregg  
Snowe  
Frist  
Smith  
Allard

Nays: 12

Conrad  
Hollings  
Sarbanes  
Murray  
Wyden  
Feingold  
Johnson  
Byrd  
Nelson  
Stabenow  
Clinton  
Corzine

Not voting: Hagel.

(32) By a vote of 12 yeas to 10 nays the Committee agreed to the Conrad motion that the Committee report favorably the Chairman's mark as amended.

Yeas: 12

Conrad  
Hollings  
Sarbanes  
Murray  
Wyden  
Feingold

Nays: 10

Domenici  
Grassley  
Nickles  
Gramm  
Bond  
Gregg

Johnson  
Byrd  
Nelson  
Stabenow  
Clinton  
Corzine  
Not voting: Hagel.

Snowe  
Frist  
Smith  
Allard

## IX. ADDITIONAL VIEWS

### ADDITIONAL VIEWS OF SENATOR FEINGOLD

We all should acknowledge the efforts of the Chairman and his staff in crafting a budget resolution this year. This is the first such resolution the Budget Committee has considered under Chairman Conrad's leadership, and he deserves enormous credit for crafting a budget under the severe constraints imposed by the profligate policies of last year's budget.

The Chairman is very much in the position of convincing the man with a hangover that a hair of the dog is not the solution to his problems. This year's budget is a morning after budget, and I realize how difficult it has been for Chairman Conrad to argue for fiscal responsibility in the wake of last year's binge.

At some point, I am convinced that Chairman Conrad's message for restraint and responsibility will have a more receptive audience and we will get back to reducing the deficit in a more serious way, an effort that served the budget and the economy so well during the 1990s. For the good of the Nation, I hope that time comes soon.

While I have shared my thoughts with the Chairman about the need to go further in reducing the deficit, I certainly believe his mark began that process. Moreover, I doubt a different Chairman could have come anywhere near achieving what he did in his proposal.

Having said that, I must indicate that as it stands now, while I voted to report this concurrent budget resolution out of the Budget Committee, unless it is significantly improved on the floor, I will not be able to support it. The spending priorities are not balanced, and it does not adequately reduce the budget deficit.

Not all of the additional spending provided for an already bloated Defense budget is justified. We all support the President in his effort to fight terrorism, but billions of the additional spending he proposed for the military has nothing to do with the fight against terrorism. As I have noted before, it makes no sense to fully fund three separate tactical fighter aircraft programs. It did not make sense a year ago, and it does not make sense now.

More broadly, I am greatly concerned that the lack of sufficient fiscal restraint in the resolution will compound the damage done by last year's budget when we squandered the opportunity to address the serious long-term fiscal challenges facing our nation—strengthening Social Security, modernizing Medicare, reforming long-term care, and paying down our massive Federal debt.

Chairman Conrad is certainly not to blame for the policies that put us in this situation. Indeed, he warned us all that this would happen. And I know that his mark must be, to some extent, a consensus document. Unfortunately, it is hard to make tough choices by consensus.

In the long run, the only way we will eliminate the deficit is if we force ourselves to do so through budget rules. Such constraints cannot in and of themselves make tough decisions for us, but they can oblige us to do so. That is the consensus for which we must strive.

Budget rules certainly were instrumental in the efforts that led to a balanced budget, however briefly. The Chairman included some provisions in his mark, and we added a modest discretionary spending cap provision during committee deliberations. While I regret the stronger enforcement provisions proposed by Senator Gregg and myself were not adopted by the committee, I look forward to working with my colleagues on the floor to strengthen the provisions that the committee did approve, and, as well, to enact meaningful enforcement mechanisms in law.

I supported moving this resolution out of committee because if we had not reported that measure, the precedents of the Senate would have put us at risk of being saddled with a budget that is far worse. The same wrong-headed policies that led to the current fiscal mess are just over the horizon waiting to pounce. As badly as the Social Security Trust Fund fares under the resolution approved by the Budget Committee, failing to report that resolution could have laid the Trust Fund open to huge raids.

Again, I thank Chairman Conrad for his efforts and those of his staff. Though I cannot be an enthusiastic supporter of the Budget Committee's work product, I recognize and appreciate the work that has gone into it.

I cannot help but think that if Senator Conrad has chaired the Budget Committee at this time last year, we would be in a far stronger budget position than we are now, and we would have produced a resolution that I could enthusiastically support.

RUSS FEINGOLD.

## ADDITIONAL VIEWS OF SENATOR JOHNSON

I was pleased to join my colleague from New York, Senator Clinton, in offering an amendment to the budget resolution to express the need to provide sufficient funding in the budget for health care providers, particularly in rural and frontier America.

To use a term that I recently heard, but one that captures the true essence of the situation, we are facing “a perfect storm” in the wake of our health care system. It is no secret that throughout this country health care costs are rising at astonishing rates. Prescription drug spending alone continues to increase by nearly 15 percent yearly. Seniors in this country are forced to choose between paying for medications or daily life necessities. Providers are facing reductions in Medicare reimbursements, yet costs of delivering health care services continue to escalate. These devastating effects are felt throughout the entire industry by home health agencies, skilled nursing facilities, hospitals, physicians and other health care providers. But it doesn’t stop there, ultimately beneficiaries themselves feel the impact, whether it be through a reduction in access to health care services or no services at all.

Often faced with conditions of geographic isolation, low population density, and poor economic conditions, many rural areas impose economic hardships on existing providers and make it difficult to attract health professionals. Despite rural Americans making up 20 percent of the nation’s population and nearly 22 million rural residents living in federally designated Health Professions Shortage Areas and Medically Underserved Areas, only 9 percent of the nation’s physicians practice in rural counties. As well, rural health care givers typically serve a disproportionately high number of Medicare beneficiaries further straining their financial condition as Medicare reimbursements are reduced. For example, the hospitals in Eureka and Faulkton, South Dakota derive 89 percent and 91 percent of their revenue respectively from Medicare patients.

As economic conditions force states to decrease health care reimbursement rates and an aging baby boomer population exerts further demand on many providers, particularly in states such as South Dakota where we have one of the highest rate per capita of individuals over the age of 80, we are going to see an ever increasing need to address the inadequacies and disparities of Medicare reimbursement rates.

Promoting beneficiaries’ access to medically necessary health care of high quality is one of the primary objectives of the Medicare program. Therefore, I am pleased the Committee adopted the provider resources amendment so that we ensure resources are made available to those health care providers who are delivering critically necessary health care services.

JIM JOHNSON.



## ADDITIONAL VIEWS OF SENATORS DOMENICI, FRIST, AND GRASSLEY

The President's budget request sets forth three clear goals: (1) national security, (2) homeland security, and (3) economic security. The Republican Members of the Senate Budget Committee support these goals and find the Committee-reported FY 2003 Budget Resolution falling short of at least two of the President's objectives.

The resolution (S. Con. Res. 100) would risk both our national security and our country's fiscal future. By reducing the President's long-term defense commitment at this time, the resolution sends the wrong signal to those who wish our country harm. While the Majority's resolution ostensibly funds the President's defense request the next two years, the Majority thwarted efforts by Republicans in the Committee to guarantee that funding by establishing a firewall between defense and non-defense appropriations. Failure to establish this firewall for one year, a year in which 258,000 U.S. troops are deployed overseas, once again, calls into question the stated commitment to the President's defense request in the near term.

The resolution contradicts its stated goal of future fiscal responsibility with new, expansive domestic spending programs. The resolution increases domestic spending both now and in the future, and furthermore, relaxes budget enforcement tools and increases taxes when compared to the President's budget. The resolution's 10-year numbers understate the growth in domestic spending thus masking certain pressure for major tax increases that would be required to fund programs in the future. And not once does the resolution or supporting documentation address accountability in governing nor mention the President's five management reforms for agencies' budgets: management of human capital, competitive sourcing, E-government, financial management, and budget and performance integration.

The Chairman of the Budget Committee states that within the overall level of discretionary funding for FY 2003 that the President's request for domestic non-defense, homeland security funding has been met at \$25.2 billion. The Republican Members have no basis to challenge this statement, and accept that this funding will be provided within the guidelines of the resolution. Competition will be fierce for these non-defense, non-international affairs discretionary dollars, however, given other spending commitments made in the resolution.

While establishing the laudable goal of balancing the federal budget without counting funds from the social security program in the future, the resolution continues to use social security surpluses throughout the decade. After months of criticism of the President's budget, this Democratic resolution's so-called circuit breaker or trigger provision puts off to another day, another Congress, another

budget, the hard choices for tomorrow. Over the period FY 2003–FY 2012 the resolution uses \$1.3 trillion in social security surplus for programs other than social security. If this Congress is not willing to at least exercise some fiscal restraint today, it is disingenuous to try to demand such restraint from its successors.

The Republican Members' concerns follow:

1. *Increased Spending.*<sup>1</sup>—The resolution sets total federal spending in FY 2003 at \$2.132 trillion, up 6.5 percent over the current year. Defense discretionary outlays will grow by 9.2 percent in FY 2003, while domestic spending (including nondefense discretionary and mandatory spending) will grow by 6.4 percent. The resolution's 10-year numbers shows a path of total spending slowing from this year's 6.5 percent growth to an annual average rate of 4.5 percent over the decade. But the slowdown in spending is due to the resolution reducing and slowing defense expenditures. While defense spending in the resolution would grow at only 3.3 percent annually over the next decade, all domestic spending would grow at 5.2 percent annually. Mandatory spending grows at even a faster rate of 6.0 percent. Analysis of the resolution's spending assumptions suggest that even this rate of growth in domestic spending is understated in the resolution. The resolution increases total domestic spending over the President's request by almost \$350 billion and nearly \$600 billion over current law for the next 10-year period.<sup>2</sup> Even in the budget year—FY 2003—the resolution would increase total domestic spending nearly \$14 billion over the President's request, and \$25 billion over current law policies.

Compared to the President's request, nearly 70 percent of the resolution's increased spending over the next decade is in the area of mandatory spending programs. The resolution creates \$100 billion in new mandatory spending for an education program that needs reform (IDEA—Individuals with Disabilities Education Act). An expansive prescription drug benefit is added to the Medicare program with no stipulation made that Medicare be reformed. Both programs will grow, not subject to appropriations in the future, and will place unique pressure on future federal budgets.

The resolution increases domestic discretionary spending authority over the President's budget request in 2003 by \$15.5 billion while claiming to be at the President's request. First, the resolution omits the President's proposal to budget for the accrual cost of retirement benefits for federal employees, but nonetheless adds \$9.0 billion to its discretionary mark. The resolution also increases 2003 advance appropriations \$2.2 billion over current practice and it assumes a "historical" rescission of \$46.7 billion in budget authority and \$39.0 billion in outlays over the next decade. Outlay savings from this assumption are highly unlikely.

<sup>1</sup>For purposes of accurate and fair comparisons the numbers presented in this text exclude the President's economic security plan included in his FY 2003 budget submission and exclude the recently enacted Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

<sup>2</sup>Summary tables included in these views that compare the reported resolution to the President's budget request as reestimated by the CBO, excluding the effects of the recently enacted Job Creation and Worker Assistance Act of 2002 (P.L. 107–147). Comparisons are also presented relative to the CBO March baseline estimates, again excluding P.L. 107–147. The spending and revenue impact from P.L. 107–147 is assumed in the reported resolution. Therefore to make direct comparisons to the President's budget which included different stimulus spending and revenue assumptions than those finally enacted, both P.L. 107–147 and the President's assumed stimulus policies have been excluded from some tables.

Domestic appropriated accounts are \$106 billion higher than the President's request over the decade, even without including an allowance for the FY 2002 supplemental request of \$27.1 billion transmitted to Congress on March 21. Further, most domestic discretionary account increases, assumed in the resolution in the early-years, are clearly understated in the out-years. As an example, while the resolution increases domestic appropriation outlays in FY 2003 by \$10.3 billion compared to the President's request, the resolution assumes that these adds are somehow one-time increases and will gradually be reduced over the decade. The combination of major increases in mandatory spending programs that will grow in the future, and an understatement in the future of the current year increases in domestic appropriated accounts, combined with highly questionable savings from rescissions, portend an unsustainable future fiscal path.

2. *Limited Enforcement Provisions.*—The resolution does extend, in the Senate, some expiring points-of-orders and pay-go provisions. But only because of the effort led by the Republicans does the resolution establish a one-year cap on discretionary spending. Efforts in the Committee to extend the caps further and strengthen enforcement provisions failed, but will be revisited in the full Senate. Even Senator Domenici's effort to guarantee that the resolution's commitment to funding the President's defense request just for one year—FY 2003—failed when he tried to include a firewall between defense and non-defense spending in that year.

Other provisions in the resolution weaken its enforcement provisions, such as increasing domestic advance appropriations by over \$2.2 billion this year and eliminating the emergency designation point-of-order for non-defense discretionary spending. This point-of-order is the Senate's only mechanism for reviewing the use of the emergency designation. Moreover, many would have to agree that it has been invoked most judiciously.

The advance appropriations limit has been increased from the level set in last year's resolution—\$23.2 billion. That limitation was designed to accommodate the advances that had been made in the FY 2001 bills into FY 2002, or in other words: the appropriators were held harmless for this advance spending, but were to do no more. The Appropriations Committee complied with the rule, and the advances contained in the FY 2002 bills were within the set limit. It is clear that with respect to FY 2003, the resolution intends to permit an additional \$2.2 billion in spending beyond what the President has proposed.

3. *Cuts in National Security/International Affairs.*—The resolution reduces defense spending authority \$245 billion below the President's request. The resolution claims that a "reserve fund" for defense expenditures would be available if needed. But unlike reserve funds in past GOP budget resolutions which accounted for the reserved amounts in the totals but withheld them from the committees of jurisdiction, in this resolution the funds have simply vanished. This allows the proponents of the resolution to claim greater debt reduction than would be the case without these reserves. In contrast to the "reserved" but non-existent defense dollars, new domestic, mandatory spending programs for education

and health care are allocated within the budget totals and not set outside the budget in any imaginary “reserve” construction.

In another contrast to the President’s recent commitments and efforts to increase funding for foreign aid programs, the resolution cuts the President’s request nearly \$5 billion over the next decade.

4. *Increased taxes relative to President’s request.*—The resolution provides for no tax cuts over the entire decade. Bipartisan congressional tax cut proposals, such as the CARE Act designed to increase incentives for charitable giving and the recently reported Finance Committee energy tax credits are not accommodated within the resolution. Further, expiring tax provisions such as the R&E tax credit and those provisions that expire in 2010 such as marriage penalty relief, child credit and marginal tax rate reductions would not be permitted if the resolution’s blueprint is adopted in the Congress. In total compared to the President’s budget, the resolution would increase taxes \$553 billion over the next decade.

5. *The Trigger.*—The resolution has a magic trigger referred to as a circuit breaker. The resolution includes the following new process, it is a “wait until next year” procedure. If in any year an on-budget deficit is projected in CBO’s January 2003 annual report, then next year’s budget resolution would be out of order unless it included policies to achieve a balanced budget excluding social security trust funds. This path would require such balance within 5 years (FY 2008). Even if the resolution for this year were to perfectly come true, then it would project on-budget deficits in 2004 and throughout the remainder of this decade. Therefore, under the policies called for in this reported budget resolution, next year’s budget resolution would be required to include a series of policies to adhere to the trigger:

- Raise taxes \$570 billion; or
- Further reduce the President’s defense request by another 25%; or
- Further reduce the President’s non-defense spending by 26%; or
- Freeze all discretionary spending at the 2002 level; or
- Cut Medicare by 30%; or
- Eliminate food stamps, TANF, child care, child nutrition, SCHIP, foster care, veterans’ benefits and veterans’ pensions beginning in 2004; or
- Some combination or portion of all of the above, but not until next year!

Supporting documentation for these Minority Views are presented in the following summary tables that compare (among other things) the resolution to the CBO March baseline, CBO’s reestimate of the President’s Budget, and with and without the recent Job Creation and Worker Assistance Act of 2002.

Tables to follow:

- Rates of Growth in the SBC Reported Resolution;
- Comparison of SBC Reported Resolution With CBO’s March Baseline and the Reestimate of the President’s Budget, With Economic Stimulus and Excluding Accruals;
- Comparison of SBC Reported Resolution With CBO’s March Baseline and the Reestimate of the President’s Budget Without Economic Stimulus and Excluding Accruals;

- Comparison of SBC Reported Resolution and CBO March Baseline, Without Economic Stimulus and Excluding Accruals—FY 2003 to FY 2012;
- Comparison of SBC Reported Resolution and CBO Reestimate of the President's Budget, Without Economic Stimulus and Excluding Accruals;
- Comparison of Discretionary Budget Authority in the SBC Reported Resolution, the CBO March Baseline, and the Reestimate of the President's Budget.

Senator PETE V. DOMENICI,  
*Committee on the Budget,*  
*Ranking Member.*

Senator CHARLES GRASSLEY,  
*Committee on the Budget.*

Senator BILL FRIST,  
*Committee on the Budget.*

RATES OF GROWTH IN THE SBC REPORTED RESOLUTION WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS\*

	In billions of dollars			% change, 2002–2003	Avg. percent annual growth, 2002–2012
	2002	2003	2012		
Defense .....	348.2	380.2	479.5	9.2	3.3
Nondefense .....	382.6	414.5	490.3	8.3	2.5
Discretionary .....	730.7	794.7	969.8	8.8	2.9
Mandatory .....	1,102.6	1,165.3	1,983.5	5.7	6.0
NDD and Mandatory .....	1,485.2	1,579.9	2,473.8	6.4	5.2
Total Outlays .....	2,000.7	2,131.7	3,099.4	6.5	4.5
Outlays with no interest .....	1,833.3	1,960.1	2,953.2	6.9	4.9

\*The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION WITH CBO'S MARCH BASELINE AND THE REESTIMATE OF THE PRESIDENT'S BUDGET WITH ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	CBO March baseline	CBO reest of the Presi- dent's budg- et*	SBC re- ported reso- lution**	SBC less baseline	SBC less re- estimate
FY 2003:					
Discretionary .....	761	784	795	34	10
Mandatory .....	1,148	1,170	1,169	21	(1)
Net Interest .....	170	180	175	5	(5)
Total Spending .....	2,080	2,134	2,138	59	4
Total Revenues .....	2,086	2,013	2,046	(40)	33
Unified Deficits/Surpluses .....	6	(122)	(92)	(98)	29
On-budget Deficits/Surpluses .....	(170)	(297)	(268)	(98)	29
Discretionary Spending BA .....	732	759	768	36	9
Defense .....	357	393	393	36	0
Nondefense .....	375	366	375	(0)	9
FY 2003–2012:					
Discretionary .....	8,557	8,853	8,798	241	(55)
Defense .....	3,966	4,449	4,289	323	(160)
Nondefense .....	4,591	4,403	4,509	(82)	106
Mandatory .....	14,602	15,038	15,275	673	236
Net Interest .....	1,517	1,884	1,808	291	(75)
Total Spending .....	24,677	25,775	25,881	1,204	106
Total Revenues .....	27,057	26,455	27,064	7	609
Deficits/Surpluses Unified .....	2,380	680	1,183	(1,197)	503

COMPARISON OF SBC REPORTED RESOLUTION WITH CBO'S MARCH BASELINE AND THE REESTIMATE OF THE PRESIDENT'S BUDGET WITH ECONOMIC STIMULUS AND EXCLUDING ACCRUALS—  
Continued

[In billions of dollars]

	CBO March baseline	CBO reest of the Presi- dent's budg- et *	SBC re- ported reso- lution **	SBC less baseline	SBC less re- estimate
Deficits Surpluses On-budget .....	(102)	(1,802)	(1,299)	(1,197)	503

\*CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002, as well as the President's economic security proposal.

\*\*The SBC Reported Resolution includes the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION WITH CBO'S MARCH BASELINE AND THE REESTIMATE OF THE PRESIDENT'S BUDGET WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	CBO March baseline	CBO reest of the Presi- dent's budg- et *	SBC re- ported reso- lution **	SBC less baseline	SBC less re- estimate
FY 2003:					
Discretionary .....	761	784	795	34	10
Mandatory .....	1,148	1,162	1,165	17	3
Net Interest .....	170	174	172	1	(3)
Total Spending .....	2,080	2,121	2,132	52	11
Total Revenues .....	2,086	2,078	2,086	(0)	8
Unified Deficits/Surpluses .....	6	(43)	(46)	(52)	3
On-budget Deficits/Surpluses .....	(170)	(219)	(224)	(55)	(5)
Discretionary Spending BA .....	732	759	768	36	9
Defense .....	357	393	393	36	0
Nondefense .....	375	366	375	(0)	9
FY 2003–2012:					
Discretionary .....	8,557	8,853	8,798	241	(55)
Defense .....	3,966	4,449	4,289	323	(160)
Nondefense .....	4,591	4,403	4,509	(82)	106
Mandatory .....	14,602	15,029	15,271	669	242
Net Interest .....	1,517	1,767	1,751	233	(17)
Total Spending .....	24,677	25,649	25,820	1,143	171
Total Revenues .....	27,057	26,499	27,051	(5)	553
Deficits/Surpluses Unified .....	2,380	850	1,232	(1,149)	382
Deficits Surpluses On-budget .....	(102)	(1,633)	(1,251)	(1,149)	382

\*CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002, but does not include the President's economic security plan proposal.

\*\*The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107-147).

Source: Senate Budget Committee Republican Staff.

COMPARISON OF SBC REPORTED RESOLUTION AND CBO MARCH BASELINE WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2007	2003-2012
SBC Reported Resolution *:												
Defense .....	380.2	393.9	405.0	410.1	413.4	430.9	444.1	457.5	474.4	479.5	2002.6	4288.9
Nondefense .....	414.5	422.6	430.4	437.3	444.9	454.0	462.5	471.6	480.8	490.3	2149.7	4509.0
Discretionary .....	794.7	816.5	835.4	847.4	858.3	884.9	906.6	929.1	955.2	969.8	4152.3	8797.9
Mandatory .....	1165.3	1196.1	1278.5	1358.8	1443.8	1547.7	1648.2	1759.1	1890.2	1983.5	6442.5	15271.0
Net Interest .....	171.6	188.0	191.2	189.5	186.3	181.7	175.8	167.7	152.7	146.1	926.7	1750.8
Total Outlays .....	2131.7	2200.6	2305.2	2395.7	2488.4	2614.2	2730.6	2855.9	2998.1	3099.4	11521.5	25819.7
Revenues .....	2085.6	2208.9	2341.4	2447.2	2568.3	2706.6	2856.9	3008.5	3278.0	3549.9	11651.4	27051.4
Unified Surplus .....	-46.1	8.3	36.2	51.5	80.0	92.4	126.3	152.6	279.9	450.6	129.9	1231.7
On-budget .....	-222.0	-185.9	-174.7	-174.0	-160.6	-163.7	-144.8	-134.6	-23.8	132.9	-917.3	-1251.1
Off-budget .....	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6	1047.1	2482.8
CBO March Baseline:												
Defense .....	354.2	363.4	374.7	380.5	386.6	400.0	410.5	421.2	435.9	439.2	1859.4	3966.2
Nondefense .....	407.0	420.5	431.6	441.9	452.9	463.9	475.3	487.1	499.1	511.6	2153.9	4590.9
Discretionary .....	761.2	783.9	806.3	822.4	839.5	863.8	885.8	908.3	935.1	950.8	4013.3	8557.1
Mandatory .....	1148.2	1180.4	1241.0	1312.4	1384.7	1471.4	1562.3	1661.7	1778.1	1862.0	6266.6	14602.0
Net Interest .....	170.2	183.7	183.5	177.5	169.5	159.2	146.4	130.6	111.9	84.9	884.4	1517.4
Total Outlays .....	2079.6	2148.0	2230.7	2312.3	2393.7	2494.4	2594.5	2700.6	2825.1	2897.7	11164.3	24676.5
Revenues .....	2085.9	2209.3	2341.8	2447.7	2568.9	2707.2	2857.5	3009.2	3278.7	3550.7	11653.6	27056.9
Unified Surplus .....	6.3	61.3	111.1	135.4	175.2	212.8	263.0	308.6	453.7	653.1	489.2	2380.4
On-budget .....	-169.6	-132.9	-99.9	-90.1	-65.4	-43.3	-8.1	21.4	150.0	335.4	-557.9	-102.4
Off-Budget .....	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6	1047.1	2482.8
Difference:												
Defense .....	26.0	30.5	30.3	29.6	26.8	30.9	33.6	36.3	38.5	40.3	143.2	322.8
Nondefense .....	7.5	2.1	-1.2	-4.6	-8.0	-9.9	-12.8	-15.5	-18.3	-21.3	-4.2	-82.0
Discretionary .....	33.5	32.6	29.1	25.0	18.7	21.0	20.8	20.8	20.2	19.0	139.0	240.8
Mandatory .....	17.1	15.7	37.5	46.4	59.1	76.3	85.9	97.4	112.1	121.5	175.9	669.0
Net Interest .....	1.5	4.3	7.8	12.0	16.8	22.5	29.4	37.1	40.8	61.2	42.3	233.4
Total Outlays .....	52.1	52.6	74.4	83.4	94.7	119.8	136.1	155.3	173.0	201.7	357.2	1143.2

COMPARISON OF SBC REPORTED RESOLUTION AND CBO MARCH BASELINE WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS—Continued

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
Revenues .....	-0.3	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6	-0.7	-0.7	-0.8	-2.1	-5.5
Unified Surplus .....	-52.4	-53.0	-74.9	-83.9	-95.2	-120.4	-136.7	-156.0	-173.8	-202.5	-359.3	-1148.7
On-budget .....	-52.4	-53.0	-74.9	-83.9	-95.2	-120.4	-136.7	-156.0	-173.8	-202.5	-359.3	-1148.7
Off-budget .....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

\*The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

Source: Senate Budget Committee Republican Staff.



COMPARISON OF SBC REPORTED RESOLUTION AND CBO REESTIMATE OF THE PRESIDENT'S BUDGET WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-2007	2003-2012
<b>SBC Reported Resolution *:</b>												
Defense .....	380.2	393.9	405.0	410.1	413.4	430.9	444.1	457.5	474.4	479.5	2002.6	4288.9
Nondefense .....	414.5	422.6	430.4	437.3	444.9	454.0	462.5	471.6	480.8	490.3	2149.7	4509.0
Discretionary .....	794.7	816.5	835.4	847.4	858.3	884.9	906.6	929.1	955.2	969.8	4152.3	8797.9
Mandatory .....	1165.3	1196.1	1278.5	1358.8	1443.8	1547.7	1648.2	1759.1	1890.2	1983.5	6442.5	15271.0
Net Interest .....	171.6	188.0	191.2	189.5	186.3	181.7	175.8	167.7	152.7	146.1	926.7	1750.8
Total Outlays .....	2131.7	2200.6	2305.2	2395.7	2488.4	2614.2	2730.6	2855.9	2998.1	3099.4	11521.5	25819.7
Revenues .....	2085.6	2208.9	2341.4	2447.2	2568.3	2706.6	2856.9	3008.5	3278.0	3549.9	11651.4	27051.4
Unified Surplus .....	-46.1	8.3	36.2	51.5	80.0	92.4	126.3	152.6	279.9	450.6	129.9	1231.7
On-budget .....	-222.0	-185.9	-174.4	-174.0	-160.6	-163.7	-144.8	-134.6	-23.8	132.9	-917.3	-1251.1
Off-budget .....	175.9	194.2	210.9	225.5	240.6	256.1	271.1	287.2	303.6	317.6	1047.1	2482.8
<b>CBO Reestimate of the President's Budget **::</b>												
Defense .....	380.2	388.3	406.2	420.4	433.8	455.1	470.0	484.4	502.4	508.5	2028.9	4449.4
Nondefense .....	404.2	411.5	416.9	422.9	431.1	441.1	451.6	465.7	473.7	484.6	2086.6	4403.2
Discretionary .....	784.4	799.8	823.1	843.3	864.8	896.2	921.6	950.1	976.1	993.1	4115.5	8852.5
Mandatory .....	1162.1	1200.5	1266.1	1351.1	1430.5	1518.9	1612.3	1714.4	1842.6	1930.4	6410.3	15028.9
Net Interest .....	174.5	189.2	189.3	187.1	184.8	182.4	177.0	169.2	161.4	152.2	925.0	1767.3
Total Outlays .....	2120.9	2189.6	2278.5	2381.5	2480.2	2597.6	2710.8	2833.7	2980.2	3075.7	11450.7	25648.7
Revenues .....	2077.9	2197.3	2323.9	2424.9	2542.5	2680.1	2830.3	2980.0	3137.4	3304.2	11566.5	26498.5
Unified Surplus .....	-43.1	7.7	45.4	43.4	62.3	82.5	119.5	146.2	157.2	228.5	115.8	849.8
On-budget .....	-218.8	-186.3	-165.4	-182.0	-178.3	-173.6	-151.6	-141.1	-146.5	-89.3	-930.8	-1632.9
Off-budget .....	175.7	194.1	210.8	225.4	240.6	256.1	271.1	287.3	303.8	317.8	1046.6	2482.7
<b>Difference:</b>												
Defense .....	0.0	5.6	-1.2	-10.3	-20.4	-24.2	-25.8	-27.0	-28.1	-29.1	-26.3	-160.5
Nondefense .....	10.3	11.1	13.6	14.4	13.8	12.9	10.9	5.9	7.2	5.7	63.2	105.8
Discretionary .....	10.3	16.6	12.4	4.1	-6.6	-11.4	-14.9	-21.0	-20.9	-23.3	36.9	-54.6

COMPARISON OF SBC REPORTED RESOLUTION AND CBO REESTIMATE OF THE PRESIDENT'S BUDGET WITHOUT ECONOMIC STIMULUS AND EXCLUDING ACCRUALS—  
Continued

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003–2007	2003–2012
Mandatory .....	3.3	–4.4	12.4	7.7	13.3	28.7	35.9	44.7	47.5	53.1	32.2	242.2
Net Interest .....	–2.8	–1.2	1.9	2.4	1.5	–0.7	–1.2	–1.5	–8.7	–6.1	1.7	–16.5
Total Outlays .....	10.8	11.0	26.7	14.2	8.2	16.6	19.8	22.2	17.9	23.7	70.8	171.0
Revenues .....	7.7	11.6	17.5	22.3	25.9	26.5	26.6	28.6	140.6	245.7	84.9	552.9
Unified Surplus .....	–3.0	0.5	–9.2	8.1	17.7	9.9	6.8	6.4	122.7	222.0	14.1	381.9
On-budget .....	–3.2	0.4	–9.3	8.0	17.6	9.9	6.8	6.5	122.8	222.2	13.6	381.8
Off-budget .....	0.2	0.1	0.1	0.1	0.0	0.0	–0.0	–0.1	–0.1	–0.2	0.5	0.1

\* The SBC Reported Resolution does not include the effect of the enactment of the Job Creation and Worker Assistance Act of 2002 (P.L. 107–147).

\*\* CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002, but does not include the President's economic security plan proposal.

Source: Senate Budget Committee Republican Staff.

COMPARISON OF DISCRETIONARY BUDGET AUTHORITY IN THE SBC REPORTED RESOLUTION, THE CBO MARCH BASELINE, AND THE REESTIMATE OF THE PRESIDENT'S BUDGET—WITHOUT RETIREMENT ACCRUAL PROPOSAL

[In billions of dollars]

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003– 2007	2003– 2012
SBC Reported Resolution:												
Discretionary Spending BA .....	768.1	786.5	804.2	822.1	841.0	860.2	880.8	900.8	921.2	942.4	4021.9	8527.3
Defense .....	392.8	400.5	410.8	421.2	432.2	443.5	455.2	467.0	478.9	491.2	2057.5	4393.1
Nondefense .....	375.3	386.0	393.4	400.9	408.8	416.8	425.6	433.9	442.4	451.2	1964.4	4134.2
CBO Restimate of the President's Budget*:												
Discretionary Spending BA .....	759.1	773.7	801.0	827.9	858.8	881.4	904.4	931.6	949.6	973.5	4020.5	8660.9
Defense .....	393.8	394.9	415.6	436.2	457.7	469.8	482.1	494.8	507.8	521.2	2097.1	4572.9
Nondefense .....	366.4	378.7	385.5	391.7	401.1	411.6	422.3	436.7	441.7	452.3	1923.4	4088.0
CBO March Baseline:												
Discretionary Spending BA .....	732.4	751.2	770.3	789.6	810.0	830.8	852.7	874.8	897.0	920.1	3853.4	8228.9
Defense .....	356.9	366.3	375.7	385.2	395.2	405.5	416.3	427.1	437.9	449.2	1879.4	4015.4
Nondefense .....	375.5	384.9	394.5	404.4	414.7	425.3	436.4	447.7	459.1	470.9	1974.1	4213.4
SBC Reported Resolution less President's Reestimate:												
Discretionary Spending BA .....	9.0	12.8	3.2	-5.7	-17.8	-21.1	-23.6	-30.8	-28.4	-31.1	1.4	-133.6
Defense .....	0.0	5.6	-4.7	-15.0	-25.5	-26.4	-27.0	-27.9	-29.0	-30.0	-39.6	-179.8
Nondefense .....	8.9	7.3	7.9	9.2	7.7	5.2	3.3	-2.9	0.6	-1.1	41.0	46.2
SBC Reported Resolution less CBO March Baseline:												
Discretionary Spending BA .....	35.7	35.3	33.9	32.5	31.0	29.4	28.0	26.0	24.2	22.2	168.5	298.5
Defense .....	35.9	34.2	35.1	36.0	36.9	37.9	38.9	39.9	40.9	41.9	178.1	377.7
Nondefense .....	-0.2	1.1	-1.2	-3.5	-5.9	-8.4	-10.8	-13.9	-16.7	-19.7	-9.6	-79.2

\* CBO's Reestimate of the President's Budget includes the President's budget amendment submitted on March 14, 2002.

Source: Senate Budget Committee Republican Staff.