

NLWJC - Kagan

DPC - Box 005 - Folder 003

Budget Materials - FY1999

Generally [3]

**BUDGET TEAM MEETINGS: DEC. 15-16
AGENDA**

MONDAY:

- (1) Table on Sources
- (2) Table on Overall Framework
- (3) Specific Mandatories
 - (a) Pre-65
 - (b) Other Health Care
 - (c) Child Care
 - (d) Class Size
 - (e) Food Stamps
 - (f) Higher Education
 - (g) School Construction

TUESDAY:

- (1) Follow-up on Remaining Mandatories
- (2) Table on Revenue Sources
- (3) Table on Overall Revenue Framework
- (4) Specific Tax Cuts
 - (a) Overview of Raisers through Reducing Subsidies and Closing Loopholes
 - (b) Child Care Tax Credit
 - (c) School Construction
 - (d) Pensions
 - (e) Climate Change
 - (f) Low-Income Housing Credit
 - (g) Trade

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**MANDATORY/NON MEDICARE
AVAILABLE \$30.6 BILLION**

ITEM	COST
CHILD CARE	\$12.0 billion
-- \$9 billion for Child Care Block Grants	
-- \$3 billion for Early Learning	
FOOD STAMPS	\$2.5 billion
CHILD HEALTH	\$2.0 billion
CLASS SIZE	\$8.0 billion
HIGHER EDUCATION	\$1.4 billion
TRADE ADJUSTMENT ASSISTANCE	\$0.7 billion
PRE-65	\$2.0 billion
WORKERS BETWEEN JOBS	\$2.0 billion

**TAX SIDE
AVAILABLE \$19.9 BILLION**

ITEM	COST
CLIMATE CHANGE	\$5.0 billion
CHILD CARE	\$5.2 billion
KOHL	\$1.5 billion
PENSIONS	\$1 billion
LOW-INCOME HOUSING	\$1.5 billion
SCHOOL CONSTRUCTION	\$5.0 billion
AFRICA	\$0.2 billion
TRADE AND EXTENDERS	\$1-6.5 billion

BUDGET MEETING
December 17, 1997

AGENDA

- I. CHILD CARE (Bruce Reed and Elena Kagan)**
- II. FOOD STAMPS (Jack Lew)**
- III. HIGHER EDUCATION (Bob Shireman)**
- IV. SCHOOL CONSTRUCTION/TAA (Gene Sperling)**
- V. REVENUES (Bob Rubin and Larry Summers)**

OVERALL CHILD CARE PACKAGE

DISCRETIONARY PROGRAMS	<u>Five-year Cost</u>
1. Expand After-School Programs Helps 1,500-4,000 schools provide after-school programs for 75,000-200,000 children	\$0.5-1.0 billion
2. Standards Enforcement Fund Helps states to improve licensing systems and enforce health and safety standards	\$0.5 billion
3. Provider Training Provides 50,000 scholarships per year for child care workers to get advanced training	\$250-300 million
4. Research & Evaluation	\$50-150 million
5. Expand Head Start & Early Head Start Enables over 50,000 additional children to receive Early Head Start in 2003	\$1.4-1.7 billion
TOTAL DISCRETIONARY	\$2.7-3.65 billion
MANDATORY SPENDING	
1. Expand Child Care and Development Block Grant Increases number of low-income children receiving subsidies from 1 million in FY98 to between 1.54 million and 2.26 million in FY2003. See attached chart.	\$4-9 billion
2. Early Learning Fund Provides funds to states and communities to improve early childhood education and child care quality for children 0-5	\$2-3 billion
TOTAL MANDATORY SPENDING	\$6-12 billion
TAX CREDITS	
1. Expand Child and Dependent Care Tax Credit Raises top rate from 30% to 50% and phase-down from \$10-28k to \$30-59k, for avg. tax cut of \$358 -- eliminating tax liability for most families below 200% of poverty w/high child care costs	\$5.2 billion
2. Kohl Business Tax Credit for Child Care Business credit for expenses incurred in building, expanding, or operating child care facilities	\$1-2 billion
TOTAL TAX	\$6.2-7.2 billion
OVERALL TOTAL FOR SPENDING AND TAX	\$14.9-22.8 billion

**NUMBER OF CHILD CARE SLOTS FOR LOW-INCOME FAMILIES THROUGH
THE CHILD CARE BLOCK GRANT**

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Baseline # of children served through CCDBG (current law)	1 million children	1.07 million children	1.13 million children	1.2 million children	1.26 million children	1.32 million children
Option One: \$4 billion increase over 5 years	--	\$0.8 billion	\$0.8 billion	\$0.8 billion	\$0.8 billion	\$0.8 billion
100% federal dollars		1.29 million children	1.35 million children	1.42 million children	1.49 million children	1.54 million children
80-20% match	--	1.34 million children	1.41 million children	1.48 million children	1.54 million children	1.6 million children
Option Two: \$9 billion increase over five years	--	\$1.2 billion	\$1.5 billion	\$1.6 billion	\$2.0 billion	\$2.7 billion
100% federal dollars		1.39 million children	1.55 million children	1.6 million children	1.82 million children	2.07 million children
80-20% match		1.48 million children	1.65 million children	1.75 million children	1.96 million children	2.26 million children

*The Child and Development Block Grant (CCDBG) is funded through three streams: discretionary, mandatory non-matching, and mandatory matching (based on FMAP: average of 56% federal, 44% state). Each stream is funded at roughly \$1 billion in FY 1998. The mandatory matching stream is responsible for nearly all of the block grant growth in the outyears.

*These calculations use FY 1998 dollars and assume a per-child cost of \$3,617, which largely represents the subsidy, but also includes set-asides and administrative costs.

SUMMARY OF IMMIGRANT OPTIONS
(Five Year Costs)

	Dollars in Billions
1) Exempt Vulnerable Groups from Food Stamps Restrictions	
A) Exempt families with children from the ban. Apply prior law rules for deeming sponsor's income (first three years in the country instead of deeming until citizenship).	2.0
-Exempt only children from the ban (\$0.7 billion)	
-Exempt parents of children from the ban (\$1.3 billion).	
B) Extend exemption for refugees and asylees from 5 to 7 years, as provided for in SSI and Medicaid in the BBA.	0.2
C) Provide exemption for Hmong so that they are treated as if they meet the veterans exemption.	0.1
D) Exempt disabled and elderly who entered before welfare reform was enacted, as provided for in SSI and Medicaid in the BBA.	0.4
2) Give States Option to Provide Health Assistance to Legal Immigrant Children	
A) Give States the option to provide Children's Health Insurance Program (CHIP) assistance to legal immigrant children (only available to States that create a CHIP program outside Medicaid).	0.0
B) Give States the option to provide Medicaid to legal immigrant children.	0.2

Student Loan Options	Costs (cumulative)	Savings (cumulative)
<p>Miscellaneous Reforms. These are primarily aimed at improving financial incentives, and reducing costs, in the guaranteed loan program. Recall guaranty agency reserves, eliminate bankruptcy discharges, require flexible repayment options, eliminate payments for supplemental pre-claims assistance, reduce default retention.</p>		\$3.6 billion
<p>Direct Federal Insurance. This is needed in order to achieve the reforms and savings described above. Cost: \$0.7 billion.</p>	(\$0.7 billion)	\$2.9 billion
<p>Reduce student-paid fees from 4% to 3%. This addresses a problem where some agencies are undercutting direct lending. In the guarantee program, the 4% fee is composed of a 3% Federal fee and a 1% insurance premium charged by intermediaries (guaranty agencies). Some of these agencies have attempted to undermine direct lending by <i>not</i> charging the 1%, making direct loans more expensive. This option eliminates the insurance premium and reduces direct loan fees to the same level of 3%. Cost: \$0.6 billion.</p>	(\$1.3 billion)	\$2.3 billion
<p>Eliminate fees on need-based loans. To minimize the cost of this option, this is a phase-down in the out-years, to 2% in 2001, 1% in 2002, 0 in 2003. Cost: \$0.4 billion.</p>	(\$1.7 billion)	\$1.9 billion

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(Five Year Costs)**

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THE WHITE HOUSE

WASHINGTON

December 10, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED

SUBJECT: Child Care Initiative

As you recall, you announced at the White House Conference on Child Care that you would unveil a child care initiative in your State of the Union Address and FY 1999 budget proposal. The Conference made clear that child care is one of the most pressing issues facing America's working families today. It focused particular attention on the problems families face with the cost of child care, the quality of care (especially for infants and toddlers), and the availability of care (especially for school-age children). The recommendations presented in this memorandum address these concerns.

This memorandum outlines a recommended package of proposals and reflects a policy development process led by the Domestic Policy Council with significant input from the First Lady and her staff, NEC, OMB, OVP, CEA, IGA, and various federal agencies, including the Departments of HHS, Treasury, and Education. Many of your advisors see your child care proposal as the next significant initiative in your on-going commitment to working families. As you know, the First Lady has been particularly supportive of strong investment in this area.

The memorandum outlines both tax and general revenue expenditure options. On the tax side, we recommend an increase in the Child and Dependent Tax Credit, which assists low- and middle-income working families with child care costs. On the spending side, we recommend a package centered around: a significant investment in direct child care subsidies, which help low-income working families afford child care; a series of targeted investments to promote early learning opportunities and improve the safety and quality of child care; and an expansion of good after-school programs.

OVERVIEW OF PROPOSALS

Tax Relief for American Families. Modify the Child and Dependent Care Tax Credit (CDCTC) to assist low- and middle-income Americans with child care costs.

Tax Credits for Businesses. Provide a tax credit to businesses that incur costs related to building or operating child care facilities, training child care workers, or providing resource and referral services to employees (some version of Senator Kohl's proposal).

Subsidies for Low-Income Families. Increase federal investment in the Child Care and Development Block Grant (CCDBG) to enable states to provide child care subsidies to additional low-income working families with children under 13.

Standards Enforcement. Establish a new fund for states to improve licensing of providers and enforcement of state health and safety standards.

Early Learning Fund. Establish a new fund -- structured as challenge grants to communities -- to promote early learning, child care quality, and parent involvement and education.

Early Head Start. Increase the Early Head Start set-aside and raise overall funding in Head Start.

Scholarships and Training for Child Care Providers. Establish a Child Care Provider Scholarship Fund to provide scholarships to students working toward a child care credential, and expand the Department of Labor's Child Care Apprenticeship Program to fund training of child care providers.

Research and Evaluation. Establish a new fund to support research and demonstration projects, data collection, technology development, a National Center on Child Care Statistics, and a national child care hotline for parents.

School-Age Opportunities. Expand the Department of Education's 21st Century Community Learning Center Program to provide start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children in public schools.

Stay-at-Home Parents. Consider expanding the reach of the Family and Medical Leave Act and establishing a small evaluation or demonstration fund to support states wishing to test innovative approaches in this area.

PROPOSAL	DPC RECOMMENDED FUNDING LEVEL OVER FIVE YEARS
Child and Dependent Tax Credit Reform	\$5.2 billion
Tax Credit for Businesses	\$1 - \$2 billion
Subsidies for Low-Income Families Through Block Grant	\$4 billion
Standards Enforcement Fund	\$500 million
Early Learning Fund	Approx. \$2 billion
Early Head Start	\$500 million
Child Care Provider Scholarship Fund	\$250 million
Child Care Apprenticeship Training Program	\$10 million (for FY 1999)
Research and Evaluation Fund	\$150 million
21st Century Learning Center program	\$500 million to \$1 billion

TOTAL TAX: \$6.2 to \$7.2 billion over five years

TOTAL SPENDING: Approx. \$8 billion over five years

BACKGROUND ON FEDERAL CHILD CARE INVESTMENTS

The federal government invests in child care in a variety of ways. The two principal mechanisms designed to help parents pay for child care are the Child and Dependent Care Tax Credit (CDCTC) and the Child Care and Development Block Grant (CCDBG).

Child and Dependent Care Tax Credit. The CDCTC provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The non-refundable credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit rate depending on the taxpayer's adjusted gross income (AGI). Currently, the credit rate is phased down from 30 percent (for taxpayers with AGI of \$10,000 or less) to 20 percent (for taxpayers with AGI above \$28,000). The maximum amounts of qualifying expenses for which credits may be claimed are \$2,400 for one qualifying individual and \$4,800 for two or more qualifying individuals. Thus, the maximum credit ranges from \$480 to \$720 for a taxpayer with one qualifying individual and \$960 to \$1,440 for a taxpayer with two or more qualifying individuals.

Child Care and Development Block Grant. The CCDBG is the primary federal subsidy program devoted to child care, enabling low-income parents and parents receiving Temporary Assistance for Needy Families (TANF) to work or participate in the educational or training programs they need in order to work. Because of your efforts, welfare reform increased federal funding for child care by approximately \$4 billion over five years (FY 1997 - FY 2002), and it consolidated four child care subsidy programs into the CCDBG. The funds are distributed primarily by formula to the states, which provide matching funds to operate direct child care subsidy programs and improve the quality and availability of care. By law, states may serve families below 85 percent of state median income, and must spend 4 percent of their funds on efforts to improve child care quality.

	CCDBG	CDCTC
Current federal funding level	\$2.9 billion (FY 1997)	\$2.5 billion (FY 1998)
Eligibility criteria	Families (TANF and non-TANF) with children under 13 who need child care and earn less than 85 percent of state median income	Taxpayers who pay for at least 50 percent of the care of a child under 13 and/or a disabled dependent or spouse in order to work
Percent of overall dollars in program going to families with AGI below 200 percent of poverty	Approximately 96 percent	19 percent
Percent of families with AGI below 200 percent of poverty and children under 13 who receive assistance under program	12 percent (of potentially eligible families)	13 percent
Amount of assistance	\$3,200 (average, annual subsidy per-child in FY 1995)*	\$419 (average tax relief per family with AGI below 200 % of poverty)*

*Average annual child care costs in 1995 range from \$4,000 - \$10,000 for full-time care for one child.

OPTIONS FOR CHILD CARE INITIATIVE

I. TAX SYSTEM. Options for investing in child care through the tax system include:

A. **Child and Dependent Care Tax Credit.** Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. Presently, the CDCTC phases down from a high of 30 percent at \$10,000 or less of income to 20 percent at more than \$28,000 of income (a phase-out rate of one percentage point per \$2,000 of income). The recommended option would raise the top rate from 30 percent to 50 percent and move the phase-out range from \$10,000-\$28,000 to \$30,000-\$59,000, indexed for inflation thereafter. Under this option, the credit would phase out at a rate of one percentage point per \$1,000 of income, from a high of 50 percent at \$30,000 or less of income to 20 percent at more than \$59,000. The Department of the Treasury estimates that this option would affect 3 million taxpayers (all with adjusted gross incomes below \$59,000), providing an average tax cut of \$358 and eliminating tax liability for most families with incomes below 200 percent of poverty and maximum allowable child care expenses. This option would cost \$5.2 billion over five years; less expensive options, using different rates and phase-out ranges, are also possible.

The chart below describes the effect of modifying the CDCTC as described above on various hypothetical American families:

Hypothetical Family Experiences	Post-Credit Income Tax Liability Under Current Law	Post-Credit Income Tax Liability Under the Proposal	Change in Tax Liability from Current Law
Single head of household with a child under 13, whose income is \$20,000 and has \$1,900 of child care expenses	-\$927	-\$1,152	-\$225
Single head of household with a child under 13, whose income is \$25,000 and has \$2,500 of child care expenses	\$569	-\$103	-\$672
Married couple with two children under 13, whose income is \$35,000 and have \$4,050 of child care expenses	\$665	0	-\$665
Married couple with two children under 13, whose income is \$50,000 and have \$4,050 of child care expenses	\$2,915	\$2,510	-\$405

[Treasury Department Analysis; shown in 1999 dollars]

Pros:

- The CDCTC has not been adjusted for inflation since 1982. (Adjusting for inflation would move the phase-out from the current \$10,000 - \$28,000 to \$18,000 - \$45,000 -- less than \$30,000 to \$59,000 described in the option.
- The CDCTC assists parents with a range of income levels at low administrative costs.

Cons:

- The CDCTC is not well targeted to those with low incomes.
 - Under current law, about 1 percent of the CDCTC is received by families with incomes in the bottom quintile. About 32 percent of the credit is received by families with incomes in the top quintile.
 - Taxpayers who also claim the \$500 child credit will not benefit from an increase in the CDCTC unless their income is more than 130 to 160 percent of poverty, depending on such variables as number of children and level of child care expenses.
- The IRS cannot easily verify child care expenditures. In 1988, about one-third of the CDCTC amounts claimed were false or overstated. Compliance efforts since 1988 may have reduced this error rate somewhat, but the IRS continues to have difficulty verifying expenses.

Recommendation

This option will directly assist middle-class families with child care costs: over 3 million families, all with incomes below \$59,000, will benefit. The Treasury Department and OMB think that if you decide to propose a tax bill this year, this expansion of the CDCTC should be part of that package. The NEC supports this option. **The DPC recommends that you propose these adjustments to the CDCTC, at a cost of \$5.2 billion over five years.**

B. ***Tax Credits to Corporate Sector.*** Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. In legislation proposed by Senator Kohl, the credit covers 50 percent of qualified costs incurred, but cannot exceed \$150,000 per year. Kohl's proposal, which is sunsetted after two years, is estimated by the Joint Committee on Taxation to cost \$2.6 billion over five years. The Treasury Department is working to adjust this option to limit inefficient subsidies; Treasury predicts that the resulting proposal will be less costly.

Pros:

- The proposal could increase the availability of child care services by giving businesses an incentive to provide those services to employees.

- The proposal addresses concerns about the quality of child care by providing the credit only for expenses incurred in licensed child care facilities.

Cons:

- This credit is costly relative to the number of additional child care slots created.
- This proposal may give businesses a tax credit for expenses they would have otherwise incurred -- and deducted or depreciated -- in the absence of the credit. (The Treasury Department is working to adjust the option to limit substitution.)
- This proposed credit is likely to disproportionately benefit middle- and higher- wage workers.
- A tax credit for employers will not benefit the nearly 30 percent of the labor force whose employers are non-taxable (e.g., governments and non-profit organizations).

Recommendation

Secretary Rubin has met with Senator Kohl and recommends that you seriously consider including this option in any tax bill you propose this year if Treasury can adjust it to limit subsidization of existing activity. The rest of your advisors generally agree (with NEC most stressing the need for safeguards against inefficient subsidization), though all think that adjustment of the Child and Dependent Care Tax Credit should be a higher priority because that credit better helps low- and middle-income families afford child care. **The DPC recommends that you support a new tax credit to businesses with effective safeguards against subsidizing existing activity, in the range of \$1 to \$2 billion over five years.**

II. CHILD CARE AND DEVELOPMENT BLOCK GRANT. Increase federal investment in the Child Care and Development Block Grant (CCDBG) to enable states to provide child care subsidies to additional low-income working families with children under age 13. According to HHS estimates, for every \$100 million of annual additional federal investment in CCDBG matching funds, at least 35,000 more children from families with incomes below 200 percent of poverty will receive subsidized child care.

Pros:

- CCDBG provides significant relief to low-income working families for child care costs. Annual subsidies averaged nearly \$3,300 in FY 1995. Average annual child care costs range from \$4,000 - \$10,000 for full-time care for one child.
- States currently target their CCDBG dollars to the lowest-income working families who are making the transition from welfare to work; additional resources will enable states to reach working families with slightly higher incomes.

-- Early data from HHS demonstrate that states have obligated nearly all of their FY 1997

CCDBG dollars. Although states are allowed to subsidize child care costs for families below 85 percent of state median income (roughly 200 percent of the federal poverty level), the majority of states serve only families with incomes below 130 percent of poverty.

- Increasing federal investment in the block grant leaves states with flexibility to use the funds for the particular child care needs of their low-income populations.
- Governors strongly favor this option.

Cons:

- The federal government has little control over a state's use of this money, including the state's decision about which families to cover (assuming the families are below the statutory limit of 85 percent of state median income).

Recommendation

Many of your advisors -- Secretary Shalala, the Treasury Department, DPC, and CEA in particular -- believe that making child care affordable for low-income working families should be the highest priority of any child care initiative -- and that subsidies are the most effective mechanism to accomplish this goal. They note that subsidies from the block grant provide a generous amount of assistance and go to the lowest-income families. During the policy development process, your advisors considered whether to condition increases in the block grant on quality improvements. Most of your advisors, however, came to the conclusion that doing so would provoke broad bipartisan opposition among Governors and Members of Congress. The DPC will continue to explore whether there are feasible ways of using new investment in the block grant to encourage quality improvements. **The DPC recommends that you propose an increase in federal investment in the CCDBG of \$4 billion over five years, which will provide subsidies for approximately 280,000 additional children of low-income families.**

III. QUALITY/EARLY LEARNING. Options for increasing federal investment in child care quality and early learning include:

A. **Standards Enforcement.** Establish a fund for states to improve licensing systems and enforce state child care health and safety standards. Activities supported would include providing additional staff and resources to license child care settings and increasing unannounced inspections of child care centers and family day care homes.

Pros:

- Child care experts report that almost all states under-enforce child care standards.
- Research and experience in the military child care program indicate that diligent enforcement of standards -- particularly frequent unannounced inspections -- improves quality dramatically.

Cons:

- In some states, funding will go to enforce weak standards.

B. **Early Childhood Development and Quality**

1. **Early Learning Fund**. Increase federal investment in activities to improve early childhood education and the quality and safety of child care for young children (ages 0-5). The program would have three goals: (1) to improve early learning and development for our youngest children; (2) to ensure health and safety in child care; and (3) to increase parental involvement. In order to accomplish these goals, funds could be used for the following activities: (1) providing basic training to child care providers (including first aid and CPR, and training in child development); (2) creating and supporting family day care networks (*e.g.*, connecting individual child care providers to centers for education and support); (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; (5) reducing group sizes and child-to-staff ratios; and (6) providing home visits, parent education, and consumer education about child care. This program would provide challenge grants to communities (*e.g.*, counties or local public-private partnerships) to support child care providers and programs. It is similar to North Carolina's Smart Start program and Senator Kerry's current legislative proposal.

Pros:

- The fund targets infants and toddlers, whose health and safety are most at risk in child care today.
- The Administration has made a strong commitment to promoting early childhood development and learning, which help ensure school-readiness.

Cons:

- With limited resources, additional investments in quality may take money from investments to make child care more affordable.
- Existing programs and proposals serve some of the same purposes as the Early Learning Fund.
- It is unclear whether this fund, as presently conceived, has sufficiently clear and measurable goals.

2. **Early Head Start**. Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that raising the set-aside does not reduce the resources available for children 3-5. One option would be to double the set-aside to enable more than 35,000 additional children to receive Early Head Start services in 2002, at a cost of approximately \$500 million over five years.

C. **Child Care Provider Training.** Increase federal investment in the training of child care providers. Options include:

1. **Child Care Provider Scholarship Fund.** Establish (as you announced at the White House Conference on Child Care), the Child Care Provider Scholarship Fund to enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. You announced an investment of \$250 million over five years, which will support 50,000 scholarships per year.

2. **Child Care Apprenticeship Training Program.** Expand the Child Care Apprenticeship Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on-the-job observation and practice. The Department of Labor has asked for a one-time increase of \$10 million for FY 1999.

Pros:

- Child care experts agree that well-trained child care providers are critical to child care quality.
- The apprenticeship program has shown positive results. In West Virginia alone, the program led to 800 apprenticeships in the child care field.

Cons:

- The scholarship fund will not guarantee that the recipient will remain in the child care field beyond the one-year commitment. However, results from the North Carolina T.E.A.C.H. program (on which the fund is modeled) indicate that annual staff turnover is only 10 percent for T.E.A.C.H. participants, as compared to 42 percent statewide.

D. **Research and Evaluation.** Establish a new fund to support data and research, a National Center on Child Care Statistics, and a national child care hotline.

Pros:

- There is very little solid data on many aspects of child care, including quality, affordability, and parental choice. Funds for research and evaluation would be a noncontroversial way of expanding our knowledge on child care.
- No federal funds currently go to child care data and research. Research is needed to assist policy-makers and community leaders to better understand how to build the supply of affordable, quality care.

Cons:

- Research will not directly increase the supply of child care or make it more affordable.

Recommendation

All of your advisors agree with the proposals to establish a Standards Enforcement Fund and a Research and Evaluation Fund. Your advisors also agree on the need to increase federal investment in the training of child care workers (although OMB recommends only a \$1 million increase for the DOL apprenticeship program).

Your advisors disagree about the importance of the Early Learning Fund. OMB supports resources for early learning, but not in the format of an Early Learning Fund because it is not targeted to the poor and does not go through existing programs. OMB notes that we already spend over \$4 billion on early learning activities in Head Start and \$50 to \$60 million in America Reads for Parents as First Teachers and HIPPI. OMB believes that these programs, as well as WIC, may be more appropriate vehicles than a new program for conveying information to parents and otherwise promoting early learning and development.

NEC and HHS argue equally strongly in support of the Early Learning Fund -- and of significant investment in this new program. NEC argues that a "signature" initiative focusing on early learning and parents as first teachers builds on your and the First Lady's longstanding commitment (evidenced most recently at the White House Conferences) to foster learning in the earliest years. HHS notes the importance of directing resources to communities to make needed quality improvements for infants and toddlers. HHS has recommended \$4 billion over five years for the Early Learning Fund; NEC has recommended \$3.6 billion over five years.

Your advisors also disagree about whether you should propose to increase Early Head Start as part of the child care initiative. Many believe that this proposal would comport with your long-standing commitment to early learning for young children. HHS believes, however, that because the Head Start Act is up for reauthorization next year, such a proposal might lead to trade-offs within the Head Start program (*i.e.*, Head Start vs. Early Head Start) and between Head Start and other elements of your child care initiative.

The DPC recommends that you propose the above package of initiatives at a cost of about \$3.5 billion over five years, broken down as follows:

Standards Enforcement	\$500 million over five years
Early Learning Fund	Approx. \$2 billion over five years
Early Head Start	\$500 million over four years (through FY 2002)
Child Care Provider Training	
Scholarship Fund	\$250 million over five years
Apprenticeship Fund	\$10 million for FY 1999
Research and Evaluation	\$150 million over five years

IV. SCHOOL-AGE OPPORTUNITIES

A. **Expansion of the 21st Century Community Learning Center Program.** Increase investment in the 21st Century Community Learning program, which provides start-up funds to school-community partnerships to establish or expand before- and after-school programs for school-age children at public schools. Modify the program to increase community involvement, target higher-need communities, and require an increasing local match to ensure that programs become self-sustaining after receiving start-up funding.

Pros:

- This expansion responds to the tremendous need for after-school programs. Estimates of the number of “latch-key” children who are left unsupervised during non-school hours range from 2 to 15 million. Research shows that children are more likely to engage in at-risk behavior (*e.g.*, crime, drug and alcohol use) during these unsupervised hours.
- The program increases the supply of after-school programs in a cost-effective manner by using underutilized public school buildings and their existing resources, such as computers, gymnasiums, and sports equipment.
- The program responds to demonstrated parental and educator demand for school-based after-school programs. Many parents prefer school-based programs because they do not require transportation from school, are more likely to provide enrichment activities that build on the regular school program, and are overseen by school officials.
- The 21st Century Community Learning Center program has a proven record of support in this Congress; it received \$40 million for FY 1998.

Cons:

- It may be difficult to expand a relatively new program rapidly (although creating an altogether new program at this level of funding would be even more difficult).
- Some community organizations may not support a primarily school-based initiative. This program currently funds only activities located in public schools, even though good programs also exist in community centers, museums, and other locations.

B. **Coordination of Federal Efforts.** Create a multi-agency task force to assist three to five pilot cities, including the District of Columbia, to identify and make the best use of currently available federal resources to provide comprehensive after-school programming. This collaborative federal effort would work to improve access to and efficient use of federal funds, and would provide the targeted communities with information from around the country on promising and effective practices. This initiative is expected to lead to other federal multi-agency collaborative efforts in other areas. (It has no cost for FY 1999.)

Recommendation

The Vice President, the First Lady, and Departments of Justice, HHS, and Education believe that your initiative must make a strong commitment to after-school programming, in part because this issue affects both low- and middle-income families. The Department of Education has recommended investing \$1.7 billion over five years in this program -- \$200 million in the first year, \$300 million in the second year, and \$400 million in the last three years to reach up to 1 million children and thereby double the number of children currently served by school-based after-school programs. The Vice President's Office supports this funding level. OMB suggests that a more gradual expansion of this new program would help ensure an effective use of funds. **The DPC recommends that your initiative propose a phased-in expansion of the 21st Century Learning Center program, at a total cost of \$500 million - \$1 billion over five years.**

V. STAY-AT-HOME PARENTS

A. ***The Family and Medical Leave Act (FMLA)***. FMLA currently covers employees of businesses with 50 or more employees. Options include: (1) expanding coverage to businesses with 25 or more employees, either in one step or incrementally; or (2) extending the leave period from 12 weeks (current law) to 24 weeks for parents with newborns.

Pros:

- Lowering the employee threshold would cover 10 million additional employees, increasing by 15 percent those employees covered by the Act.
- This proposal has no cost to the federal government.

Cons:

- Lowering the threshold will provoke strong business opposition, and increasing the length of leave may do so as well. The numbers of employers covered would double from 330,000 to 690,000.
- Opening the FMLA may trigger further Congressional action on legislation we oppose -- e.g., comp time legislation.
- Because a small percentage of employees take the maximum amount of leave, expanding the length of leave will help relatively few people. Based on 1994 survey data, about 10 to 20 percent of the estimated 8 million who take some leave for any allowable reason in a year take the maximum leave of 12 weeks.
- These options will not help those people who cannot afford to take leave. According to the Commission on Leave, 65 percent of those who would have liked to take leave to care for their newborn, foster, or adopted child could not do so for economic reasons.

B. **Paid parental leave coverage.** Provide paid parental leave coverage for a limited amount of time to working parents below a specified income level. For example, a new paid leave plan could provide \$200 a week for 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below \$50,000, at a cost of \$1 billion per year. Leave would be administered through the unemployment insurance system, but would be funded separately by the federal government. Employers not currently covered by FMLA would not be required to allow their employees to take this leave.

Pros:

- Paid leave would allow more parents to spend time with their newborn babies, and many parents are likely to take advantage of this new opportunity.

Cons:

- There are small substitution effects. Two to three percent of all employees receive paid family leave from their employers, though many of these employees would not meet the income threshold for this benefit. In addition, many employees receive paid vacation leave (roughly 90 percent) and paid sick leave (roughly 55 percent), and they do “bundle” these benefits to take leave for the birth of a child.
- Under the program described above, parents who have not been in the workforce would not receive any benefit.
- Businesses may oppose the plan because the cost of hiring and replacing employees will increase as more people take leave.

Recommendation

Some of your advisors, including the First Lady, urged us to consider policies to support new parents who want to stay at home with their newborns. They argued that such policies offer choice to parents and could help inoculate your child care initiative against conservative attack. Most of your advisors concluded, however, that the available policies -- *i.e.*, expanding the FMLA and providing paid leave -- would have limited appeal to conservatives because they primarily help mothers who intend to return to the workforce. Given the expense of paid leave, your advisors also concluded that it is not the best use of limited resources. We are now looking into the possibility of establishing a small evaluation or demonstration fund to support states wishing to test innovative approaches in this area. **The DPC recommends against proposing paid leave at this time. The DPC and NEC will soon submit a separate decision memorandum on FMLA options (which have no budgetary consequences), and the DPC may submit a proposal for an evaluation or demonstration fund to assist stay-at-home parents.**

POTENTIAL ALLOCATION OF MANDATORY RESOURCES
(dollars in billions over 5 years)

<p>State share of tobacco tax 14.8</p>	<p>Child Care 10.5 + 1.3 = 11.8</p> <p>[Child care/development block grant, 7.5] <i>8.8</i> [Early childhood development, 3.0]</p> <p>Health care 4.3</p> <p>[Workers between jobs, competitive demo, 2.8] <i>3</i> [Child outreach, 1.5] <i>2</i></p>
<p>Mandatory offsets 15.3</p>	<p>Major new initiatives</p> <p>Smaller class size + <i>Sm sch constr. on tax side</i> 7.7</p> <p>Food stamps/immigrants 2.5</p> <p>Higher education 1.7</p> <p>Cancer clinical trials .7</p> <p>Funding prior commitments and other obligations (EZ's, fast track/TAA, ag-environmental, miscellaneous -- veterans, transportation, D.C., Social Security Administration) 2.7</p>
<p>Medicare (non-premium offsets) 1.8</p>	<p>Pre-65 buy-in 2</p>

Discussion Draft for Tax Side of the FY99 Budget

	18-Dec-97	1998-2003	1998-2008
Tax Initiatives			
Provision:			
Child Care			
Child and Dependent Care Tax Credit Increase		-5208	-12123
Employer child-care subsidies (Kohl)		-1500	-3000
Tax Incentives for Carbon-Saving Technology		-2500	-5500
Pensions			
Expand pensions for workers not covered by qualified plans (payroll deduction or SAFE)		-1000	-2200
Education Initiatives			
State pre-paid tuition plans		-1500	-4000
Cover Grad students with Section 127		-439	-439
School Construction (expand Rangel's Qualified Zone Academy Bonds)			
Increase Per Capita Cap for Low-Income Housing Tax Credit		-749	-3234
One-Year Extension of Expiring Provisions			
Work Opportunity Tax Credit (to 6/30/99)		-427	-430
Welfare-to-Work tax credit (4/31/00)		-168	-180
R&E tax credit (6/30/99)		-2211	-2220
Contributions of stock to private foundations (6/30/99)		-118	-118
Generalized system of preferences (6/30/99)		-400	-400
Make permanent the expensing of brownfields remediation costs		-534	-1338
Miscellaneous Provisions			
Modified Jefferson SSBIC proposal		-30	-60
TBOR and simplification proposal, under development		-4000	-8000
International Provisions			
Keep Section 30A, the Puerto Rico Tax Credit, rough		-417	-3870
Africa Subsidy, rough		-70	-146
Caribbean Basin Initiative, rough		-827	-1340
Total (less school construction)		-22098	-48598
Payfors			
Provision (Most viable previously-introduced provisions):			
Modify foreign tax credit carryover rules		1154	1840
Repeal lower-cost-or-market inventory method		1583	1851
Deposit requirement for FUTA		1358	1511
Reinstate Oil Spill Liability Trust Fund taxes		1224	1424
Repeal components-of-cost inventory method		976	2209
Miscellaneous Other Raisers		1796	4868
Total		8091	13703
Less viable (or viable with modifications), previously-introduced provisions:			
Average cost basis for securities		1862	3969
Sales source rule		6380	14250
Section 1031 like-kind exchange modifications		1653	3581
Reduce dividends-received deduction to 50%		1774	3729
Conversion of large corporations into S corporations		143	597
Total		11812	26126
New Raisers (Under development but not vetted and fully worked out)			
Set of accounting , corporate, estate and gift, excise tax, partnership, insurance and miscellaneous raisers (preliminary, rough total)		7000	18000
Total Range		15000 to 27000	32000 to 58000

DRAFT

INVESTMENT FUNDS IN THE FY 1999 BUDGET
(dollars in millions)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>5 years</u>
RESEARCH FUND FOR AMERICA			
National Institutes of Health (all)	13,648	14,648	79,338
National Science Foundation (all)	3,430	3,679	19,928
NASA	--	75	1,627
Energy	58	222	1,437
NIST	63	40	155
Next Generation Internet	85	100	200
Partnership for New Generation Vehicles	255	315	1,575
Other (VA Medical Research, USDA, etc.)	624	789	3,957
Total, Research Fund	17,908	19,553	106,642
Increase Under the Fund	--	1,799	17,520

ENVIRONMENT FUND FOR AMERICA

EPA, Superfund	1,500	2,294	8,720
EPA, Clean Water SRF	1,350	800	4,000
EPA, Drinking Water SRF	725	825	4,125
Interior Land and Water Restoration	1,048	1,114	6,632
USDA Water 2000	577	629	3,339
Multi-Agency Water Quality Program	1,655	2,105	10,725
Total, Environment Fund	6,855	7,767	37,541
Increase Under the Fund	--	881	5,667

TRANSPORTATION FUND FOR AMERICA

Surface Transportation (DOT)	27,063	25,397	128,007
FAA (includes Airport Grants)	9,076	9,618	54,035
Flight 2000 Free Flight Demonstration	--	90	316
Total, Transportation Fund	36,139	35,105	182,358
Increase Under the Fund	--	1,250	6,250

TOTAL, ALL THREE FUNDS	60,902	62,425	326,541
TOTAL INCREASE UNDER ALL THREE FUNDS	--	3,930	29,437

SOURCES OF SPENDING ON NEW INITIATIVES
(preliminary estimates, dollars in billions)

	<u>FY 1999</u>	<u>5 years</u>
Mandatories:		
Veterans tobacco (INCREASE to the deficit).....	0	6.4
Cost allocation.....	0.5	2.9
Education reform.....	0.9	4.0
State bank fees.....	0.1	0.5
Child support enforcement.....	0.06	0.3
Agriculture.....	0.3	1.6
Subtotal.....	1.9	15.7
Revenues:		
Options from the FY 1998 budget.....	2.8	19.9
Subtotal.....	2.8	19.9
TOTAL, MANDATORIES AND REVENUES.....	4.6 7	35.6

Limited Use Mandatories:

Directed State use of tobacco settlement.....	2.3	14.9
Medicare error reduction/modest policy changes.....	0.2	2
Medicare income-related premiums.....	2	12
Subtotal.....	16.4 4.5	28.9

BUDGET TEAM MEETINGS: DEC. 15-16
AGENDA

MONDAY:

- (1) Table on Sources
- (2) Table on Overall Framework
- (3) Specific Mandatories
 - (a) Pre-65
 - (b) Other Health Care
 - (c) Child Care
 - (d) Class Size
 - (e) Food Stamps
 - (f) Higher Education
 - (g) School Construction

TUESDAY:

- (1) Follow-up on Remaining Mandatories
- (2) Table on Revenue Sources
- (3) Table on Overall Revenue Framework
- (4) Specific Tax Cuts
 - (a) Overview of Raisers through Reducing Subsidies and Closing Loopholes
 - (b) Child Care Tax Credit
 - (c) School Construction
 - (d) Pensions
 - (e) Climate Change
 - (f) Low-Income Housing Credit
 - (g) Trade

**MANDATORY/NON MEDICARE
AVAILABLE \$30.6 BILLION**

ITEM	COST
CHILD CARE	\$12.0 billion
-- \$9 billion for Child Care Block Grants	
-- \$3 billion for Early Learning	
FOOD STAMPS	\$2.5 billion
CHILD HEALTH	\$2.0 billion
CLASS SIZE	\$8.0 billion
HIGHER EDUCATION	\$1.4 billion
TRADE ADJUSTMENT ASSISTANCE	\$0.7 billion
PRE-65	\$2.0 billion
WORKERS BETWEEN JOBS	\$2.0 billion

**TAX SIDE
AVAILABLE \$19.9 BILLION**

ITEM	COST
CLIMATE CHANGE	\$5.0 billion
CHILD CARE	\$5.2 billion
KOHL	\$1.5 billion
PENSIONS	\$1 billion
LOW-INCOME HOUSING	\$1.5 billion
SCHOOL CONSTRUCTION	\$5.0 billion
AFRICA	\$0.2 billion
TRADE AND EXTENDERS	\$1-6.5 billion

**Child Care
Mandatory Spending Options
(Five-Year Costs)**

	<u>Option 1</u>	<u>Option 2</u>
<u>Mandatory Programs</u>		
Subsidies for Low-Income Families Through Block Grant	\$4.0 billion	\$9.0 billion
Early Learning Fund	\$2.0 billion	\$3.0 billion
	_____	_____
TOTAL MANDATORY	\$6.0 billion	\$12.0 billion
 <u>Tax Credits</u>		
Child and Dependent Tax Credit	\$5.2 billion	\$5.2 billion
Kohl Tax Credit for Businesses That Provide Onsite Child Care	\$1.0 billion	\$2.0 billion
	_____	_____
TOTAL TAX	\$6.2 billion	\$7.2 billion

things
sch characteristic

12-17

Budget Mtg - POTUS

1. OFFSETS

2. overview of expenditures

3. Health

a. Pre-65 - broken promise / Displaced worker
only to 62-65: just 1 million -- disagreement

b. Cancer Trial

POTUS: any way to fund through Trust Fund/WCL.

CT: NIH doesn't pay for coverage

etc.

4. Class Size

POTUS - concerned that spreading budget to them that not have a profound impact on anything.

How to do something in cc-less there, more need?

How to do something in that it's a - most targeted
priority in cc?

College Aid - just spend a x doing what we've
already done.

(65 - balancing out savings)

If there's a Med Com'n, what's our justification
for doing these things in Med?

Broken promise is lay down.

Clinical trial - right thing to do? or just because not paying
for much in \$ (research)

How justify now benefits?

OTHER MANDATORY SPENDING
(Five-Year Costs)

Agriculture and Interior:

Shift certain crop insurance spending to mandatory (net).....	187
Increase environmental conservation (EQIP).....	350
Forest Service and BLM payments to States ("delinking").....	183

HUD and Agriculture:

Empowerment zone grants for urban zones.....	462
Rural EZ/EC economic development grants.....	100

Justice:

Shift Winstar litigation expenses to mandatory.....	202
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Labor:

Fast track/TAA.....	680
PBGC: Raise guarantee cap for multiemployer pensions.....	17

Veterans:

Compensation: pay full benefits for Filipinos residing in the US.....	25
--	----

Transportation:

Shift St. Lawrence Seaway spending to mandatory.....	67
Shift Coast Guard boat safety spending to mandatory (partially offset by reductions in Sport Fish Restoration).....	250

District of Columbia:

Make annual contribution to the DC Judicial Retirement Fund mandatory.....	30
---	----

Social Security Administration:

Adjust discretionary caps to SSI redeterminations.....	<u>115</u>
--	------------

Total increases..... 2,668

**NUMBER OF CHILD CARE SLOTS FOR LOW-INCOME FAMILIES THROUGH
THE CHILD CARE BLOCK GRANT**

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Baseline # of children served through CCDBG (current law)	1 million children	1.07 million children	1.13 million children	1.2 million children	1.26 million children	1.32 million children
Option One: \$4 billion increase over 5 years	--	\$0.8 billion	\$0.8 billion	\$0.8 billion	\$0.8 billion	\$0.8 billion
100% federal dollars		1.29 million children	1.35 million children	1.42 million children	1.49 million children	1.54 million children
80-20% match	--	1.34 million children	1.41 million children	1.48 million children	1.54 million children	1.6 million children
Option Two: \$9 billion increase over five years	--	\$1.2 billion	\$1.5 billion	\$1.6 billion	\$2.0 billion	\$2.7 billion
100% federal dollars		1.39 million children	1.55 million children	1.6 million children	1.82 million children	2.07 million children
80-20% match		1.48 million children	1.65 million children	1.75 million children	1.96 million children	2.26 million children

*The Child and Development Block Grant (CCDBG) is funded through three streams: discretionary, mandatory non-matching, and mandatory matching (based on FMAP: average of 56% federal, 44% state). Each stream is funded at roughly \$1 billion in FY 1998. The mandatory matching stream is responsible for nearly all of the block grant growth in the outyears.

*These calculations use FY 1998 dollars and assume a per-child cost of \$3,617, which largely represents the subsidy, but also includes set-asides and administrative costs.

SUMMARY OF IMMIGRANT OPTIONS
(Five Year Costs)


	Dollars in Billions
1) Exempt Vulnerable Groups from Food Stamps Restrictions	
A) Exempt families with children from the ban. Apply prior law rules for deeming sponsor's income (first three years in the country instead of deeming until citizenship).	2.0
-Exempt only children from the ban (\$0.7 billion)	
-Exempt parents of children from the ban (\$1.3 billion).	
B) Extend exemption for refugees and asylees from 5 to 7 years, as provided for in SSI and Medicaid in the BBA.	0.2
C) Provide exemption for Hmong so that they are treated as if they meet the veterans exemption.	0.1
D) Exempt disabled and elderly who entered before welfare reform was enacted, as provided for in SSI and Medicaid in the BBA.	0.4
2) Give States Option to Provide Health Assistance to Legal Immigrant Children	
A) Give States the option to provide Children's Health Insurance Program (CHIP) assistance to legal immigrant children (only available to States that create a CHIP program outside Medicaid).	0.0
B) Give States the option to provide Medicaid to legal immigrant children.	0.2

POTENTIAL ALLOCATION OF MANDATORY RESOURCES
(dollars in billions over 5 years)

State share of tobacco tax	14.8	<p>Child care _____</p> <p><i>[Child care/development block grant]</i> <i>[Early childhood development]</i></p> <p>Health care _____</p> <p><i>[Medicaid youth outreach]</i> <i>[Cancer clinical trials]</i> <i>[Workers between jobs, competitive demo]</i></p>
Mandatory offsets	15.3	<p>Major new initiatives</p> <p>K-12 school construction and teachers (+\$5 b from tax) _____</p> <p>Higher education _____</p> <p>Legal immigrants _____</p> <p>Presidential appeals _____</p> <p>Funding prior commitments and other obligations* _____</p>
Medicare (non-premium offsets)	1.8	<p>Pre-65 buy-in _____</p>

*Other includes empowerment zones, Fast Track, USDA environment activities, Filipino veterans, transportation, DC court pensions, SSI admin, and Winstar litigation.

POTENTIAL ALLOCATION OF MANDATORY RESOURCES
(dollars in billions over 5 years)

State share of tobacco tax	14.8	Child care	9	10.5
		<i>[Child care/development block grant, 6]</i>		7.5
		<i>[Early childhood development, 3]</i>	3	
		Health care	6	4.5
		<i>[Medicaid youth outreach, 1-2]</i>	1.5	
		<i>[Cancer clinical trials, 1-3]</i>		
		<i>[Workers between jobs, competitive demo, 2-3]</i>	2.8	
<i>Discretionary spending (take 700m total add to NCI)</i>		<i>(give states another y-y transitional Medicaid)</i>		
Mandatory offsets	15.3	Major new initiatives		
	<i>clinical</i>			
	14.6	K-12 school construction and teachers (+\$5 b from tax)	7-9	7.7
	<i>hier ed.</i>			
	12.9	Higher education	0-2	1.7 <i>sever</i>
		Legal immigrants	2.5	<input checked="" type="checkbox"/>
		Presidential appeals	0-3	None
		Funding prior commitments and other obligations*	2.7	<input checked="" type="checkbox"/>
Medicare (non-premium offsets)	1.8	Pre-65 buy-in	2	
		<i>IF NOT -- ?</i>		

*Other includes empowerment zones, Fast Track, USDA environment activities, Filipino veterans, transportation, DC court pensions, SSI admin, and Winstar litigation.

HEALTH INVESTMENT OPTIONS IN THE BUDGET

MEDICARE

USES

Pre-65 Initiative Options:	\$1 - 2 billion
Clinical Cancer Trial Care:	\$1.7 billion
Medicare Improvements: [e.g., Mammography coinsurance, annual physical]	\$0.2 - 3 billion
Private Long-Term Care Options:	\$0.1 - 4 billion

SOURCES

Anti-Fraud:	\$1.5 - 2 billion
Income-Related Premium:	\$6 - 19 billion

COVERAGE

USES

State Incentives to Enroll Medicaid-Eligible Children:	\$2 billion
Workers' Transitions Options:	\$2 - 5 billion
Voluntary Purchasing Coops:	\$0.1 billion

SOURCES

[Cost Allocation, Reserve or Tobacco?]

NOTE: All scoring is preliminary and subject to change.

MANDATORY EXPENDITURES

(Five-Year Costs)

CHILD CARE	\$6.0-\$12.0 Billion
- Child Care Block Grant = 66%-75%	
- Early Learning Fund = 25%-33%	
CLASS SIZE	\$6.0-\$9.0 Billion
FOOD STAMPS	\$2.0-\$3.5 Billion
HEALTH CARE	
- Medicare Pre-65 Initiative	\$2.0 Billion
- Medicare -- Clinical	\$2.0 Billion
- Long-Term Demonstration	\$0.5 Billion
- Children's Outreach	\$1.0-\$2.0 Billion
COLLEGE AID	\$1.3-\$1.7 Billion
SCHOOL CONSTRUCTION	\$5.0 Billion
EMPOWERMENT ZONES (Rural or Urban)	\$0.562 Billion
FAST TRACK/TAA	\$0.697 Billion
AG-ENVIRONMENTAL (Crop Insurance, Environmental Conservation, Forest Service)	\$0.720 Billion
MISCELLANEOUS	\$0.462 Billion
- Veterans	
- Transportation	
- District of Columbia	
- Social Security Administration	

TOTAL: \$28.6-\$40.5 Billion

TOTAL (w/ School Construction As Tax Cut): \$23.6-\$35.5 Billion

SOURCES OF FUNDING FOR NEW INITIATIVES
(preliminary estimates, dollars in billions)

	FY 1999	5 years
Mandatories:		
Veterans tobacco (INCREASE to the deficit).....	0	6.4
Cost allocation.....	0.5	2.9
Education reform.....	0.9	3.6
State bank fees.....	0.1	0.5
Child support enforcement.....	0.06	0.3
Agriculture.....	0.3	1.6
Subtotal.....	1.9	15.3
 Limited Use Mandatories:		
Directed State use of tobacco settlement.....	2.3	14.9
TOTAL, MANDATORIES.....	4.2	30.2
<hr style="border: 1px solid black;"/>		
Medicare:		
Medicare error reduction/modest policy changes.....	0.2	2
Medicare income-related premiums.....	2	12
Subtotal.....	2.2	14.0
<hr style="border: 1px solid black;"/>		
Revenues:		
Options from the FY 1998 budget.....	2.8	19.9

**SUMMARY OF POTENTIAL BENEFITS FOR IMMIGRANTS OPTIONS
FOR FY 1999 BUDGET
(dollars in billions)**

	Cost in FY 1999	Cost in FY 2003	Five Year Costs 1999-2003
1) Exempt Vulnerable Groups from Food Stamps Restrictions			
A) Exempt families with children from the ban. Apply prior law rules for deeming sponsor's income (first three years in the country instead of deeming until citizenship).	0.4	0.4	2.0
B) Extend exemption for refugees and asylees from 5 to 7 years, as provided for in SSI and Medicaid in the BBA.	0.0	0.0	0.2
C) Exempt disabled and elderly who entered before welfare reform was enacted, as provided for in SSI and Medicaid in the BBA.	0.1	0.1	0.5
D) Provide Exemption for Hmong so that they are treated as if they met the veterans exemption. Cost of about \$70 million over five years in isolation but much lower costs when combined with above policies	0.0	0.0	0.0
2) Prove States Option to Provide Health Assistance to Immigrant Children			
For Medicaid and Children's Health Insurance Program (CHIP), give States the option to provide legal immigrant children with Medicaid and Children's Health Insurance Program assistance. As under current law, the regular Federal matching rate would apply in Medicaid and the enhanced Federal matching rate would apply in CHIP. No new Federal funds would be provided in CHIP, but States could provide immigrants coverage under their current grant. (The Medicaid and CHIP policy would effect immigrant children who enter after August 22, 1996 whereas the Food Stamps policy would effect both current and future immigrants).	0.0	0.1	0.2
Total	0.5	0.6	2.9

**NUMBER OF CHILD CARE SLOTS FOR LOW-INCOME FAMILIES THROUGH
THE CHILD CARE BLOCK GRANT**

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Baseline # of children served through CCDBG (current law)	1 million children	1.07 million children	1.13 million children	1.2 million children	1.26 million children	1.32 million children
Option One: \$4 billion increase over 5 years	--	\$0.8 billion	\$0.8 billion	\$0.8 billion	\$0.8 billion	\$0.8 billion
100% federal dollars		1.29 million children	1.35 million children	1.42 million children	1.49 million children	1.54 million children
80-20% match	--	1.34 million children	1.41 million children	1.48 million children	1.54 million children	1.6 million children
Option Two: \$9 billion increase over five years	--	\$1.2 billion	\$1.5 billion	\$1.6 billion	\$2.0 billion	\$2.7 billion
100% federal dollars		1.39 million children	1.55 million children	1.6 million children	1.82 million children	2.07 million children
80-20% match		1.48 million children	1.65 million children	1.75 million children	1.96 million children	2.26 million children

*The Child and Development Block Grant (CCDBG) is funded through three streams: discretionary, mandatory non-matching, and mandatory matching (based on FMAP: average of 56% federal, 44% state). Each stream is funded at roughly \$1 billion in FY 1998. The mandatory matching stream is responsible for nearly all of the block grant growth in the outyears.

*These calculations use FY 1998 dollars and assume a per-child cost of \$3,617, which largely represents the subsidy, but also includes set-asides and administrative costs.

THE WHITE HOUSE
WASHINGTON

December 15, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Gene Sperling
Elena Kagan

SUBJECT: New Initiatives on Discretionary Side of Budget

As you know, OMB is trying to find an additional \$6 billion for discretionary spending. Assuming this money becomes available, the DPC and NEC recommend that you fund the new initiatives listed below -- in the amounts listed below -- in your FY 1999 budget. OMB has signed off on these recommendations. Some of the departments, however, may appeal for increases in base programs that would cut into the amount of money available for new initiatives.

We already have given you detailed memos on most of these initiatives. If you approve the initiatives, you can announce any or all of them in the State of the Union.

Because so many of the new initiatives involve education, we are attaching an appendix to this memo that shows recommended funding levels for the Department of Education's major base programs. In reviewing the education spending, you should note that the Department has just reestimated Pell Grant costs in a way that will free up additional monies. We had thought we would need a \$434 million increase in the Pell Grant Program to raise the maximum award from \$3,000 to \$3,100. The new estimates show we can finance these policies with between \$150 million and \$220 million less. We are currently considering whether to keep these funds in the Pell Grant Program to support a larger increase in the maximum award and make other policy changes, or alternatively to invest them in the After-School and Head Start components of the child care initiative.

Education

1. Education Opportunity Zones (\$225 million): This initiative will provide funding to about 25 high-poverty urban and rural school districts for agreeing to adopt a "Chicago-type" school reform agenda that includes ending social promotions, removing bad teachers, reconstituting failing schools, and adopting district-wide choice.

2. College-School Partnerships (\$150 million): This initiative, which builds on Eugene Lang's model of helping disadvantaged youth, will provide funding for college-school partnerships designed to provide mentoring, tutoring, and other support services to students in high-poverty schools, starting in the sixth grade and continuing through high school. The six-year funding

path will provide help to nearly 2 million students. The proposal also will include Chaka Fattah's idea of early notification to disadvantaged 6th graders telling them of their Pell Grant and loan eligibility.

3. Campaign on Access to Higher Education (\$20 million): This initiative will fund an intensive publicity campaign on the affordability of higher education. The goal of the campaign will be to make every family aware that higher education is now universally accessible -- and that it is the key to higher earnings.

4. Teacher Recruitment and Preparation (\$67 million): This initiative, which you previewed last July at the NAACP Conference, will provide scholarships to nearly 35,000 new teachers over five years for committing to work in high-poverty urban and rural schools. It also will upgrade the quality of teacher preparation programs serving these communities.

5. Technology Teacher Training (Approx. \$230 million): This initiative will dedicate 30 percent (about \$150 million) of the Technology Literacy Challenge Fund (which is being increased from \$425 to \$500 million) to ensure that at least one teacher in every school receives intensive training in the use of technology for education, so that those "master teachers" can train their colleagues. An additional \$80 million will begin an effort to train every *new* teacher in the latest technology.

6. Hispanic Education Action Plan -- (\$195 million or more): This initiative will increase funding for a number of existing programs to improve education for Hispanic Americans and other limited English proficient (LEP) children and adults. It would double our investment in training teachers to address the needs of LEP children; boost the Migrant Education Program by 16 percent; increase the TRIO college preparation program by 10 percent; and create a 5-year, \$100 million effort to disseminate best practices in ESL training for adults. We would accompany these program increases with administrative actions to help Hispanic students complete high school and succeed in college.

7. Distance Learning -- (\$50 million?): We are still in the process of developing a new initiative, related to Governor Romer's Western Governors University, to promote the use of technology to give people "anytime, anywhere" access to learning opportunities.

Child Care

We recommend placing most of the child care initiative -- in particular, the proposed increase in the Child Care and Development Block Grant and the establishment of a new Early Learning Fund -- on the mandatory side of the budget. The smaller pieces of the initiative that we propose placing on the discretionary side are the following:

1. After-School Program Expansion (\$100-200 million): This program expansion will increase funding of the 21st Century Community Learning Center Program (now funded at \$40

million) for before- and after-school programs for school-age children at public schools. Depending on the exact funding level chosen, this investment will create new programs in 1,500-4,000 schools with slots for between 75,000 and 200,000 children; at the same time, it will enable still more students to participate in other school-site activities.

2. Standards Enforcement Fund (\$100 million): This new fund will support state efforts to improve licensing and accreditation of providers, and to enforce health and safety standards -- particularly through unannounced inspections of child care settings. The fund also will enable states to issue report cards, for use by consumers, on the quality of the facilities inspected.

3. Provider Training (\$51-60 million): A new Child Care Provider Scholarship Fund, which you proposed at the Child Care Conference to fund at \$50 million annually, will support 50,000 scholarships each year to child care workers working toward a child care credential. The students will commit to remaining in the field for one year for each year of assistance received, and will earn increased compensation or bonuses when they receive their credential. An additional \$1-10 million will allow the Department of Labor to expand its Child Care Apprenticeship Training Program, which funds providers combining work toward a degree with on-the-job practice.

4. Research and Evaluation Fund (\$10-30 million): This new fund will establish a National Center on Child Care Statistics, and provide grants for research projects and state and local child care hotlines and consumer education activities.

5. Head Start and Early Head Start Expansion (\$284-334 million): This level of increased investment in the overall Head Start budget should permit doubling the set-aside for Early Head Start over five years without reducing the resources available for children 3-5. The doubled set-aside would enable more than 50,000 additional children to receive Early Head Start services in 2003.

Welfare, Housing, Urban

1. Welfare-to-Work Housing Vouchers (\$283 million): This initiative will provide 50,000 new housing vouchers to help welfare recipients in public housing who need to move in order to find employment. HUD will distribute these vouchers on a competitive basis to public housing authorities working with local TANF agencies and/or grantees of the new \$3 billion welfare-to-work program. (A separate proposal, for which no new funding is needed, would allow families in public or assisted housing to use vouchers to buy a home; HUD expects this proposal to assist some 25,000 people become homeowners over two years, though OMB believes this figure to be exaggerated.)

2. Housing Portability/Choice (\$20 million): In addition to the new welfare-to-work housing vouchers discussed above, our proposed package on housing portability and choice expands Regional Opportunity Counseling sites and takes administrative actions to eliminate obstacles to

portability in the Section 8 housing program.

3. “Play-by-the-Rules” Homeownership Proposal (\$30 million): This initiative will assist families that always pay their rent on time to become homeowners. The Neighborhood Reinvestment Corporation will provide downpayment assistance, interest rate buydowns, or rehabilitation loans to approximately 10,000 families.

4. Homeownership Opportunity Fund (\$11 million): This initiative will provide funds for HUD to develop a loan guarantee program to allow state and local governments to leverage current HOME funds with private-sector investments to fund large-scale, affordable housing developments in distressed communities.

5. Community Empowerment Fund (\$300-400 million): This initiative establishes a public/private fund (“Eddie Mac”), which will invest in inner-city businesses and create a secondary market for economic development loans (like Fannie Mae).

6. Homeless Assistance (\$250-325 million): This level of increased investment includes \$177 million to help 32,000 homeless people receive Section 8 vouchers.

Labor and Workforce

1. Child Labor (\$89 million): This initiative is anchored by a \$30 million commitment -- up from \$3 million -- to the International Program on the Elimination of Child Labor (IPEC). The initiative also will include funding to improve Customs Service enforcement of U.S. law banning the import of goods made with forced or bonded child labor (\$3 million) and to double the Department of Labor’s enforcement of child labor laws in the agricultural sector (\$4 million). Finally, the initiative will provide additional funding to the Migrant Education Program so it can reach 50,000 more migrant children (\$50 million). We are developing non-budget items to fill out the package.

2. Community Adjustment (\$50 million): This initiative will fund the creation of the Office of Community and Economic Adjustment (OCEA), which we proposed as part of the Fast Track debate. As you know, this office will be modeled after the Defense Department’s Office of Economic Adjustment -- the Administration’s first point of contact with communities experiencing a military base closure or defense plant closing. We expect the Office to help 35-40 communities in its first year of operation. The initiative also will fund a variety of other efforts to assist communities that face sudden and severe economic dislocation.

3. Out of School Youth Opportunity Program (\$250 million): Congress advance appropriated \$250 million for this program last year contingent on the passage of authorization legislation. The program will fund competitive grants for efforts to increase employment among out-of-school youth between the ages of 16 and 24.

Health

1. 21st Century Trust Fund (Approx. \$1 billion): This initiative will provide substantial additional funding to NIH (\$750 million) and NSF (\$250 million), ramping up substantially over time, for research activities -- particularly on the treatment and cure of diseases. We will provide you with a separate memo on this initiative in the next day or two. Funding for this initiative will come from comprehensive tobacco legislation.

2. AIDS Programs Expansion (\$165 million): A funding increase for the Ryan White Program of almost 15 percent will go principally toward ADAP, to ensure that new and effective treatments of AIDS reach those who need them. Some of the funds will support education and prevention programs operated by states, cities, and community health centers, as well as by the CDC.

3. Racial Disparities in Health Care (\$80 million): This initiative will address racial disparities in six areas of health care: infant mortality, breast and cervical cancer, heart disease and stroke, diabetes, AIDS, and immunization. The proposal includes additional funding (\$50 million) to established public health programs to adapt and apply their prevention and education strategies to eliminate racial disparities. It also includes funding (\$30 million) for up to thirty local pilot projects to test innovative approaches to reach this goal.

Environment

(Katie McGinty proposed and has further information about these initiatives)

1. Climate Change (\$400 million): To support our broader climate change initiative (including tax incentives), this funding will go to a number of departments in accord with PCAST's recommendations.

2. Second Generation Clean Water (\$450 million, including some on mandatory side): This initiative will assist in restoring 1000 watersheds that are too polluted for fishing or swimming. Funding will go to five agencies to support a variety of activities designed to address polluted runoff and implement comprehensive watershed management strategies.

Crime

1. Community Prosecutors (\$50 million): This initiative will provide grants to prosecutors for innovative, community-based prosecution efforts, such as Eric Holder adopted in the District of Columbia. A full 80 percent of the grants will go to pay the salaries and training costs associated with hiring or reassigning prosecutors to work directly with community residents.

Race

A number of the above proposals -- e.g., education opportunity zones, university-school

partnerships, housing vouchers -- can be presented as part of the race initiative, because they target predominantly minority areas or provide disproportionate benefits to members of minority groups. Other proposals described above -- the Hispanic dropout plan and the race and health initiative -- have obvious and explicit race connections. In addition:

1. Civil Rights Enforcement (\$72 million): This initiative will fund reforms to the EEOC and the civil rights offices at DOJ, HUD, HHS, Education, and DOL. Most important, additional funding of \$37 million will allow the EEOC to expand its mediation program (allowing more than 70 percent of all complainants to choose mediation by the year 2000), increase the average speed of resolving complaints (from over nine months to six) and reduce the EEOC's current backlog (from 64,000 cases to 28,000). The initiative also will fund a dramatic expansion of HUD's civil rights enforcement office (in the 30th anniversary year of the Fair Housing Act) and improve coordination among the government's civil rights offices. We are preparing a number of non-budgetary administrative actions, especially involving fair housing and lending, to accompany our budget proposals in this area.

Appendix -- Education Budget

The recommended funding level for all of the Department of Education's discretionary programs (including new initiatives) is \$30.9 billion, an increase of \$1.4 billion (4 percent above FY 1998). In addition to providing for the new initiatives described above, this recommended budget maintains or increases funding for the Department's major base programs, while reducing certain lower priority spending.

Major Base Programs

Education testing: \$16 million. The full amount needed to maintain progress on test development.

Pell Grants: \$7,779 million. A \$289 million increase would maintain higher independent student eligibility and raise the maximum award from \$3,000 to \$3,100. The additional \$150 million previously thought necessary to effect these policies would increase the maximum award by another \$50; alternatively, as noted earlier, we could use these funds to increase our investments in the After-School and Head Start components of the child care initiative.

America Reads, \$260 million. We did not get our America Reads bill in FY 1998. We did obtain increases for tutoring in the Corporation for National and Community Service. Congress did, however, "advance appropriate" \$210 million for FY 1999 for Education, contingent upon enactment of new law. The increase to \$260 million reflects our original first year plan.

Title I, Education for the Disadvantaged, Grants to LEAs: \$ 7,725 million. A \$350 million (4.5 percent) increase over FY 1998 to serve an additional 400,000 children in poor communities. Secretary Riley requested a \$492 million increase.

Goals 2000: \$510 million. A \$10 million increase over FY 1998, to maintain momentum in the States for school reform.

Comprehensive School Reform: \$175 million. A \$30 million increase over FY 1998 for demonstrations of school reform models.

Adult Education: \$394 million. A \$33 million (9 percent) increase over FY 1998 for basic education and English language training for the disadvantaged, immigrants, and welfare recipients. This increase is part of Hispanic Education Action Plan discussed above.

Special Education: \$4,811 million. Same as the FY 1998 level, which was increased by \$775 million over FY 1997. States can spend the increase over 2 years. Secretary Riley has expressed concern about the lack of an FY 1999 increase. We are convinced that no increase will satisfy the advocates, and would prefer to negotiate this level in Congress, rather than use up scarce funds in your budget now.

College Work-Study, \$915 million. An \$85 million increase over FY 1998, make progress toward your goal of 1 million Work-Study positions by FY 2000. Given the reduction in Perkins loans (noted below), this increase keeps the campus-based aid programs at level funding from FY 1998.

Reductions in the Base

A number of programs have been reduced to make room for initiatives and major base programs, including: Impact Aid (-\$92 million), the Education Block Grant (-\$350 million), and Perkins Loans (-\$85 million). Each of these has a vocal constituency. We believe we can make the case that our funding of initiatives and base programs are all higher priority than these programs.

NEW INITIATIVES

<i>PROPOSAL</i>	<i>COST</i>	<i>STATUS</i>
<p>Child Care: Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate from 30 percent (current law) to 50 percent and moving the phase-out range from \$10,000-\$28,000 (current law) to \$30,000-\$59,000. <i>(Mandatory)</i></p>	<p>FY 1999: \$270 million Five-Year: \$5.2 billion</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Child Care: Provide a tax credit to businesses that incur costs related to providing child care services to their employees. <i>(Mandatory)</i></p>	<p>FY 1999: \$637 million (based on JCT costing of Senator Kohl's proposal) Five-Year: \$2.6 billion (based on JCT costing of Senator Kohl's proposal)</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Child Care: Establish the Child Care Provider Scholarship Fund <i>(Discretionary)</i></p>	<p>FY 1999: \$50 million (\$150 million in HHS budget request) Five-Year: \$250 million</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Child Care: Expand the Child Care Apprenticeship Training Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. <i>(Discretionary)</i></p>	<p>FY 1999: \$10 million (DOL budget request) Five-Year: \$27 million (DOL budget request)</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Child Care: Establish a Child Care Research and Evaluation Fund to support data and research and technology development and utilization. <i>(Discretionary)</i></p>	<p>FY 1999: \$50 million (HHS budget request) Five Year: \$250 million</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Child Care: Establish an Early Learning and Quality Fund to provide challenge grants to communities for early learning and parent involvement activities. <i>(Discretionary)</i></p>	<p>FY 1999: \$200 to \$400 million (\$800 million in HHS budget request) Five-Year: Approximately \$2 billion</p>	<p>Memo submitted into POTUS on 12/11/97.</p>

<p>Child Care: Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. <i>(Discretionary)</i></p>	<p>FY 1999: \$30 million Five-Year: \$500 million (based on NEC option to double Early Head Start set-aside)</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Education: Expand the 21st Century Community Learning Center Program to provide start-up funds to additional school-community partnerships to establish before- and after-school programs for school-age children at public schools. <i>(Discretionary)</i></p>	<p>FY 1999: \$100 million (\$400 million in DOE request) Five Year: \$500 million</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Education: Establish a demonstration project for states to test innovative approaches to assisting parents who to stay at home with their children. <i>(Discretionary)</i></p>	<p>FY 1999: N/A Five Year: N/A</p>	<p>Memo submitted into POTUS on 12/11/97.</p>
<p>Education: Education Opportunity Zones -- This proposal would designate from 20 to 40 urban rural school districts as Education Opportunity Zones. High-poverty school districts would be eligible for funds if they adopt tough reform measures and show real improvements over time in student achievements. <i>(Discretionary)*</i></p>	<p>FY 1999: \$320 million Five Year: \$1.1 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: School/College Partnership -- A grant program to promote strong partnerships between colleges and high-poverty middle and high schools, with the goal of enabling more youth to go on to college. This initiative would encourage colleges to adopt the Eugene Lang model for helping disadvantaged youngsters. <i>(Discretionary)*</i></p>	<p>FY 1999: \$300 million Five Year: \$2.9 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Hispanic Education Initiative -- A plan to improve educational opportunities for Hispanic Americans, with goal of decreasing current disparity in dropout rates. Includes a number of administrative actions, as well as targeted investments in programs for migrant, adult, and bilingual education. <i>(Discretionary)</i></p>	<p>FY 1999: \$153 million Five Year: \$765 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Indian Education Initiative. <i>(Discretionary)</i></p>	<p>FY 1999: \$75 million Five Year: \$375 million</p>	<p>Memo submitted into POTUS on 12/9/97.</p>

<p>Education: Technology Teacher Training -- options include (1) expanding various innovation grants to ensure that within four years, all new teachers will be ready to use educational technology, or (2) using the Technology Literacy Challenge Fund to train and certify at least one "master teacher" in every school. <i>(Discretionary)</i></p>	<p>FY 1999: \$100 million Five Year: \$500 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Learning on Demand -- An initiative, related to some of Governor Romer's ideas, to encourage the use of technology (e.g., the internet, CD-ROM, interactive TV) for lifelong learning. Will begin the process of giving all Americans "anytime, anywhere" access to affordable and high-quality learning opportunities. <i>(Discretionary)</i></p>	<p>FY 1999: \$50 million Five Year: \$250 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Class Size Reduction Initiative -- This is a five-year initiative to increase early reading by reducing class size in grades 1 and 2 to a maximum of 18. <i>(Mandatory)</i></p>	<p>FY 1999: \$615 million Five Year: \$9.2 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: School Construction -- An initiative to address the problem of the crumbling school infrastructure. <i>(Mandatory or Tax)</i></p>	<p>FY 1999: Five Year:</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Civil Rights Enforcement: The initiative involves EEOC and six agencies who have jurisdiction of civil rights enforcement. Funds will be used for activities such as alternative dispute resolution, increased compliance targeting, improved technology and data collection, and reduction in case backlog. <i>(Discretionary Spending)</i></p>	<p>FY 1999: \$106 million Five Year: N/A</p>	<p>Memo submitted into POTUS on 12/9/97</p>
<p>Crime: Community-Based Prosecutors & Justice -- A five year competitive grant program to increase the number of local prosecutors interacting directly with communities and to encourage local prosecutors to reorient their emphasis from "assembly line" processing of cases to solving specific crime and disorder problems in their communities. <i>(Discretionary Spending)</i></p>	<p>FY 1999: \$100 Million Five-Year: \$500 Million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>

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<p>Health Care: Medicare -- Pre-65 Coverage initiative. Addressing growing concerns about coverage for the pre-65 population, options are being developed to enhance access to health care through Medicare and/or COBRA. This initiative also would help lay the foundation for reforms to extend the Medicare eligibility age from 65 to 67. <i>(Mandatory)</i></p>	<p>FY 1999: Up to \$1 billion Five-Year: Up to \$5 billion</p>	
<p>Health Care: Medicare -- Clinical Cancer Trials Coverage. This initiative would allow Medicare to pay for high quality cancer clinical trials giving beneficiaries access to some of the most cutting-edge treatments, which offers the potential to expedite new treatments for cancer. <i>(Mandatory)</i></p>	<p>FY 1999: \$200 to \$400 million Five-Year: \$1.7 billion to \$2 billion</p>	
<p>Health Care: Private Long-Term Care Options -- This initiative would build on new information that Medicare provides to beneficiaries on their choice of health plans by directing programs to include information regarding long-term care options. <i>(Mandatory)</i></p>	<p>FY 1999: \$5 to \$50 million Five-Year: \$25 million to \$300 million</p>	
<p>Health Care: Children's Health Outreach -- Addressing the fact that the \$24 billion children's investment did not provide enhanced resources for states to target 3 million eligible but not enrolled in Medicaid, this proposal would provide incentives for states to do a greater job of outreach to these population through a series of school-based and child care based outreach activities. <i>(Mandatory)</i></p>	<p>Five-Year: \$1 to \$2 billion</p>	
<p>Health Care: Workers Between Jobs Demonstration -- Addressing the insecurities of the workforce in a transitional job market, this policy -- consistent with your last two budgets but downsized into a demo -- would provide temporary premium assistance to workers between jobs. <i>(Mandatory)</i></p>	<p>FY 1999: \$250 to \$500 million Five-Year: \$0.5 to \$3 billion</p>	
<p>Health Care: Voluntary Purchasing Cooperatives -- To address the fact that small business employers and employees still face great difficulties in obtaining affordable health care coverage, this initiative would provide competitively awarded grants to states to establish <u>voluntary</u> purchasing cooperatives. <i>(Mandatory)</i></p>	<p>FY 1999: \$10 to \$20 million Five-Year: \$50 to \$100 million</p>	

<p>Health Care: National Institutes of Health Budget -- Recognizing the great potentials of the age of biology and the potential to develop new treatments and cures for costly diseases, this proposal would substantially increase resources at the NIH to expedite progress in the areas with the most potential. <i>(Mandatory)</i></p>	<p>FY 1999: \$1 billion Five-Year: \$10 to \$15 billion</p>	
<p>Health Care: Race and Health Initiative --This proposal contains a number of public health education and prevention efforts to reduce extreme racial disparities in health care. <i>(Discretionary)</i></p>	<p>FY 1999: \$100 million Five-Year: N/A</p>	<p>Memo submitted into POTUS on 12/9/97</p>
<p>Health Care: AIDS Spending -- This initiative would increase funds for prevention, treatment, and education for people with HIV/AIDS <i>(Discretionary)</i></p>	<p>FY 1999: \$115 million Five-Year: N/A</p>	<p>Memo submitted into POTUS on 12/9/97</p>
<p>Housing/Welfare: Welfare to Work Housing Vouchers -- A proposal for 50,000 new housing vouchers to assist welfare recipients who must relocate in order to find employment, as well as to help address the shortage of affordable housing. <i>(Mandatory)</i></p>	<p>FY 1999: \$100 to \$300 million Five-Year: \$1.3 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Housing: Raise the cap on the Low Income Housing Tax Credit (LIHTC) -- A proposal to partially offset the loss of the credit's value since 1986 because of inflation and population growth. <i>(Mandatory)</i></p>	<p>FY 1999: \$120 million Five-Year: \$600 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Housing: Homeownership Initiative -- A play-by-the-rules homeownership proposal to provide assistance to families who have paid their rent on time but have some impediment to buying their own home. <i>(Discretionary)</i></p>	<p>FY 1999: \$30 million Five-Year: \$150 million</p>	
<p>Labor/Jobs: Child Labor Initiative -- A comprehensive Child Labor Action Plan, anchored by a \$150 million commitment to the International Program on the Elimination of Child Labor (IPEC) -- a voluntary program of the International Labour Organization which is dedicated to the elimination of child labor. <i>(Discretionary)</i></p>	<p>FY 1999: \$84 million Five-Year: \$420.5 million</p>	<p>Memo submitted into POTUS on 12/9/97</p>

<p>Labor/Jobs: Unemployment Insurance -- This initiative would expand coverage to as many as 450,000 workers, many low-wage; and save the Federal government billions of dollars during the next recession by establishing a better trigger for extended Unemployment Insurance benefits. The proposal would also address the administrative financing problems of the current system.</p> <p><i>(Mandatory)</i></p>	<p>OMB and Labor are working on a technical budget solution that would make this entire package of proposals revenue-neutral.</p> <p>FY 1999: \$0 to \$164 million</p> <p>Five-Year: \$0 to \$264 million</p>	
<p>Labor/Jobs: Community and Economic Adjustment Initiative --As part of Fast Track debate, we proposed creation of the Office of Community and Economic Adjustment (OCEA). This office will be modeled after the DoD's Office of Economic Adjustment (OEA) -- the Administration's first point of contact with communities experiencing a military base closure or defense plant closing. The OCEA would coordinate the Administration's response to regions impacted by a major plant closing or trade, by working with Labor, Commerce, SBA, HUD, Treasury, and other government entities. This group would provide planning grants and expertise to help communities develop comprehensive economic adjustment strategies.</p> <p><i>(Discretionary)</i></p>	<p>FY 1999: \$50 million</p> <p>Five-Year: \$250 million</p> <p>* Already included in FY 1999 budget</p>	<p>Memo submitted into POTUS on 12/9/97</p>
<p>Pensions: An expanded pension coverage initiative that focuses on a simplified defined benefit plan for small businesses, based on the SAFE plan proposed by the American Society of Pension Actuaries (ASPA). Also looking at a payroll deduction IRA proposal, faster (three-year) vesting requirement for employer matching contributions in 401(k) plans, encouraging automatic enrollment in 401(k) plans, a tax credit for small businesses to promote establishment of retirement plans, and a pension right-to-know proposal.</p> <p><i>(Revenue Loss)</i></p>	<p>Five-Year: \$860 million</p> <p>The only potential new pension proposal with a significant revenue impact is the simplified defined benefit plan, the only element about which there is not consensus. In addition, there are pension items previously proposed by the Administration such as non-discrimination rule changes that also have a budgetary impact.</p>	
<p>Climate Change: A \$5 billion package over 5 years of tax cuts and R&D to spur energy efficiency and reductions in greenhouse gas emissions. A commitment to this package was announced as part of the President's climate change announcement on October 22nd.</p>	<p>Five-Year: \$5 billion</p>	

**Potential Allocation of Presidential Priority Reserve
Summary**

(budget authority, in millions of dollars)

11-Dec-97

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Appeals to Passback				
Agriculture.....	1,274	117	117	---
Commerce.....	554	249	97	15
Education.....	3,821	2,024	1,420	170
Energy.....	680	293	293	25
HHS.....	2,228	1,727	743	370
HUD.....	293	293	293	---
Interior.....	367	225	134	50
International Affairs.....	1,533	1,019	218	---
Justice.....	1,334	1,010	119	50
Labor.....	597	454	221	160
Transportation.....	460	45	45	---
Treasury.....	795	593	209	---
Veteran's Affairs.....	220	220	---	---
Corps of Engineers.....	615	620	30	---
EPA.....	1,203	680	193	20
NSF.....	437	276	276	---
ONDCP.....	1,186	175	100	---
GSA.....	501	157	---	---
Judiciary.....	233	---	---	---
Legislative Branch Estimate.....	150	---	---	---
NASA.....	420	164	---	164
SBA.....	547	25	13	---
Social Security Administration.....	100	100	---	33
Corp. for National & Community Service.....	53	53	44	---
Equal Employment Opportunity Commission.....	---	9	9	---
FEMA.....	35	35	20	---
National Archives.....	2	---	---	---
Neighborhood Reinvestment Corporation.....	10	100	30	---
TVA.....	77	77	70	7
Other.....	37	---	306	---
Total.....	19,762	10,740	5,000	1,064
Items Funded through Budget Concepts Changes				
(see HHS, Interior, Transportation, and NSF).....	3,724	2,217	1,807	---
Total, Including Items Funded through Budget Concepts Changes.....	23,486	12,957	6,807	1,064
Additional Concepts Change Option: Highways.....	1,689	6,114	6,114	---
Total, Including Highways.....	25,175	19,071	12,921	1,064

Potential Allocation of Presidential Priority Reserve

Detail

(budget authority, in millions of dollars)

12-Dec-97

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Agriculture				
Multiagency: Global Climate Change:				
USDA.....	53	10	10	
Amounts in other Agencies and Base.....	[549]	[340]	[340]	[50]
Total, Global Climate Change.....	[602]	[350]	[350]	[50]
Multiagency: Watershed Health Initiative:				
USDA.....	337	84	84	
Amounts in other Agencies and Base.....	[340]	[366]	[366]	
Total, Watershed Health Initiative.....	[677]	[450]	[450]	
IG/Law Enforcement.....	44	23	23	
Infrastructure Initiative.....	456	---	---	
Customer Service Initiative.....	100	---	---	
Other Appeals to Base.....	284	---	---	
Total, Agriculture.....	1,274	117	117	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Commerce				
Multiagency: Global Climate Change:				
Commerce.....	12	2	2	5
Amounts in other Agencies and Base.....	[590]	[348]	[348]	[45]
Total, Global Climate Change.....	[602]	[350]	[350]	[50]
CPB and Commerce: Support Public Broadcasting				
Digital Transition.....	110	55	55	
Commerce: NIST - Construct Advanced				
Measurement Laboratory.....	40	63	40	
NIST - Advanced Technology Program.....	29	10	---	10
Patent and Trademark Office:				
End Surcharge while Raising Patent Fees.....	79	119	---	
Commerce: NOAA - Replace Fisheries				
Research Ships (starts in 2000).....	40	---	---	
Census Bureau:				
Decennial Census - Dual Track Approach.....	244	---	---	
Total, Commerce.....	554	249	97	15

how many schools? kids?
(after school)

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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FY 1999

Agency	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Education:				
Child Care Initiative:				
(most of the funding for this initiative is mandatory or tax initiatives):				
After-school (Ed).....	---	110	60	---
Amounts in other Agencies.....	---	[590]	[140]	[21]
	-----	-----	-----	-----
Total, Child Care Initiative.....		[700]	[200]	[21]
Education and Training Initiatives:				
- College/School Partnership.....	---	[1129]	600	195
- Education Opportunity Zones.....		320		
- Hispanic Initiatives.....		320		
- Training Teachers in Technology Use.....		200		
- Other Education Initiatives.....		100		
		189		
(Also see Labor: Learning on Demand, and International Child Labor Initiative; and HHS: Head Start)				
Title 1, Ed for the Disadvantaged.....	494	250	250	8
Comprehensive School Reform Demonstrations.....	175	145	145	30
Bilingual and Immigrant Education 5% above FY98 Level.....	41	18	18	56
Pell Grants, Increase Independent Students.....	361	250	250	-250
Impact of Federal Aid on Minority Access and Retention in Higher Education.....	50	50	25	
Adult Education, 6% above FY98 (to FY98 President's Budget).....	45	22	22	
Education: NSF/ED - Education Research.....	50	50	50	
Assistance for DC Public Schools.....	20	---	---	20
Other Student Financial Aid Programs.....	186	---	---	111
Vocational Education to FY98 Level.....	159	---	---	
Special Education 5% above FY98.....	262	---	---	
Vocational Rehabilitation Funding.....	200	---	---	
Institutional Retention Grants.....	150	---	---	
Other Appeals.....	1,628	---	---	
	-----	-----	-----	-----
Total, Education.....	3,821	2,024	1,420	170

(*Adds to OMB" total for Education is consistent with \$409M total add for "Education and Training" which also includes: Labor - Learning on Demand; Labor - International Child Labor Initiative; and HHS - Head Start)

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Energy				
Multiagency: Global Climate Change:				
Energy.....	308	136	136	25
Amounts in other Agencies and Base.....	[294]	[214]	[214]	[25]
Total, Global Climate Change.....	[602]	[350]	[350]	[50]
Construction of National Spallation Neutron Source.....	157	157	157	
Elk Hills California Settlement funded in base; DOE proposal intended to free funding for other base programs.....	36	---	---	
Other Appeals to Base.....	179	---	---	
Total, Energy.....	680	293	293	25

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
HHS				
Child Care Initiative:				
(most of the funding for this initiative is mandatory or tax initiatives):				
After-school (Ed).....	---	[110]	[60]	---
Child care Provider Training (HHS)	---	50	50	---
Standards Enforcement (HHS).....	---	100	90	10
Research Fund (HHS).....	---	30	---	10
Early Learning (HHS) - funded under mandatory in				
Adds to OMB option.....	---	400	---	---
Child care Provider Training (Labor).....	---	[10]	---	[1]
		-----	-----	-----
Total, Child Care Initiative.....	---	[700]	[200]	[21]
HRSA - Increase Ryan White vs FY98.....	100	165	115	50
Initiatives to Reduce Race Related Health				
Disparities.....	30	100	30	50
Restoration of Reductions to LIHEAP.....	---	442	342	100
SAMHSA - Increase Substance Abuse Block Grant.....	160	200	100	
AHCPR - Health Care Quality.....	28	25	15	
Office for Civil Rights.....	1	1	1	
Head Start Further Expansion.....	---	150	---	150
Food Safety: add to initiative.....	60	60	---	
CDC - Lead Poisoning.....	---	4	---	
Other Appeals to Base.....	1,849	---	---	
		-----	-----	-----
Total, HHS.....	2,228	1,727	743	370

Items Funded through Budget Concepts Changes

NIH Initiative.....	1,153	1,000	750	
CDC - Youth Smoking Initiative.....	74	54	21	
FDA - Youth Smoking Initiative.....	46	46	9	
		-----	-----	-----
Total, Items Funded through Budget Concepts Changes.....	1,273	1,100	780	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
HUD				
Multiagency: Global Climate Change:				
HUD.....	10	10	10	---
Amounts in other Agencies and Base.....	[592]	[340]	[340]	[50]
Total, Global Climate Change.....	[602]	[350]	[350]	[50]
Vouchers for Welfare to Work.....	283	283	283	
Total, HUD.....	293	293	293	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
Interior				
Multiagency: Indian Country Law Enforcement:				
Interior.....	25	25	25	
Justice.....	[12]	[12]	---	
	-----	-----	-----	
Total, Indian Country Law Enforcement.....	[37]	[37]	[25]	
Treasury Loan to Presidio Trust (CA).....	25	25	10	
Protecting Species and Habitats (ESA).....	134	50	50	
Multiagency: Watershed Health Initiative:				
Interior.....	---	39	39	
Amounts in other Agencies and Base.....	[677]	[411]	[411]	
	-----	-----	-----	
Total, Watershed Health Initiative.....	[677]	[450]	[450]	
Indian Land Consolidation.....	25	25	10	
Park Service - provide 50% Federal cost share for Constitution Center museum/visitor center in Philadelphia (\$65M 5-year commitment).....	---	5	---	
Everglades.....	---	50	---	50
Guam Compact Impact.....	---	6	---	
Fund existing Natural Resource Protection Priorities at FY98 Enacted Levels (starts in 2000).....	156	---	---	
Indian Trust Fund.....	2	---	---	
	-----	-----	-----	
Total, Interior.....	367	225	134	50

Items Funded through Budget Concepts Changes

Land Acquisition, Construction Backlog including BIA schools, and Historic Preservation (includes USDA component).....	1,070	227	227	
--	-------	-----	-----	--

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
International Affairs				
AID:				
Multiagency: Africa Initiative.....	155	100	65	
Summit of the Americas Initiative.....	25	20	20	
Civil Society Trust for Central and Eastern Europe Initiative.....	13	13	13	
Transition Initiative.....	60	60	---	
Increased Funding for Haiti Initiative.....	40	40	---	
Assistance for the New Independent States.....	249	130	---	
Development Assistance.....	105	70	---	
Economic Support Fund.....	115	115	---	
Assistance for Eastern Europe and the Baltic States.....	51	51	---	
Peace Corps:				
Millennium Initiative.....	48	48	48	
State:				
Increase Annual Assessed Costs for International Organizations Initiative.....	62	62	62	
US Contribution to a Holocaust Relief Fund Initiative.....	10	10	10	
Diplomatic and Consular Programs.....	176	60	---	
Foreign Military Financing.....	87	30	---	
Migration and Refugee Assistance.....	60	60	---	
International Narcotics and Crime.....	30	45	---	
Contributions to International Peacekeeping.....	23	23	---	
Peacekeeping and Training.....	48	22	---	

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Treasury:				
Regular Debt Forgiveness.....	58	5	---	
IMF Structural Facility.....	30	30	---	
U.S. Information Agency:				
International Information and Broadcast Operations.....	88	25	---	
Total, International Affairs.....	1,533	1,019	218	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
Justice				
State and Local First Responder Training.....	21	16	16	
Fund 1000 New Border Patrol Agents.....	104	103	103	
Multiagency: Indian Country Law Enforcement:				
Justice.....	12	12	---	
Interior.....	[25]	[25]	[25]	
Total, Indian Country Law Enforcement.....	[37]	[37]	[25]	
Community Prosecutors.....	---	100	---	50
Purchase FBI Helicopters.....	5	31	---	
Increase Byrne Anti-Drug Grants for Drug Treatment.....	---	100	---	
Fund Law Enforcement Block Grant.....	523	523	---	
Construction of new Federal Prison (recommend funding in 2000).....	125	125	---	
Computer Crime/Critical Infrastructure.....	61	---	---	
Immigration Detention and Support.....	118	---	---	
Other Appeals to Base.....	365	---	---	
Total, Justice.....	1,334	1,010	119	50

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

*Worker training;
Skills grant/bill
(maint)*

12-Dec-97

01:22:49 PM

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FY 1999

Agency	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Labor				
Child Care Initiative:				
(most of the funding for this initiative is mandatory or tax initiatives):				
Child care Provider Training (Labor).....	---	10	---	1
Amounts in other Agencies.....	---	[690]	[200]	[20]
	-----	-----	-----	-----
Total, Child Care Initiative.....		[700]	[200]	[21]
Youth Training (restore elimination of program in base).....	130	130	130	
Unemployment Trust Fund (Integrity Initiative).....	235	91	91	
Adult Training (restore to 1998 request; base at 1998 enacted).....	109	109	---	45
Job Corps.....	25	25	---	25
International Child Labor Initiative.....	---	39	---	39
Learning on Demand.....	---	50	---	50
Other Appeals.....	98	---	---	
	-----	-----	-----	-----
Total, Labor.....	597	454	221	160

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
Transportation				
Border Infrastructure.....	45	45	45	
Increase Coast Guard funding.....	415	---	---	
Total, Transportation.....	460	45	45	---
Items Funded through Budget Concepts Changes				
Restore funding for airport grants: to '98 enacted.....	1,250	---	---	
to '98 budget request.....	---	550	550	
Accelerate Funding of "Free Flight" Gore Commission Demonstration Project from 2000 to 1999.....	131	90	---	
Total, Items Funded through Budget Concepts Changes.....	1,381	640	550	---
Additional Concepts Change Option				
Restore Surface transportation (Highways, Highway Safety, and Transit) to 1998 Enacted levels.....	1,689	1,689	1,689	
Increase over 1998 Enacted needed to set Surface Transportation Spending Equal to Highway Trust Fund Receipts.....	---	4,425	4,425	
Total, Additional Concepts Change Option.....	1,689	6,114	6,114	---
Total, Items Funded through Budget Concepts Changes including Additional Concepts Change Option.....	3,070	6,754	6,664	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
Treasury				
Restore Tax Law Enforcement.....	120	91	91	
President's Youth Crime Gun Interdiction.....	20	16	16	
Customs: Narcotics Initiative, Automated Targeting, Non-Intrusive Inspection.....	101	29	29	
IRS: Customer Service.....	213	181	73	
Enhance Role of Secret Service at Special Events.....	---	47	---	
Customs Commercial Operations.....	65	33	---	
Other Appeals to Base.....	196	196	---	
IRS: Organizational Modernization.....	80	---	---	
Total, Treasury.....	795	593	209	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
Veteran's Affairs				
Show No Decrease from Enacted.....	220	220	---	
Total, Veteran's Affairs.....	220	220	---	---

Potential Allocation of Presidential Priority Reserve

Detail

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
Corps of Engineers				
Multiagency: Watershed Health Initiative:				
Corps of Engineers.....	25	30	30	
Amounts in other Agencies and Base.....	[652]	[420]	[420]	
Total, Watershed Health Initiative.....	[677]	[450]	[450]	
Alternative Funding Options to Restore Construction and O & M Funding:				
-- to '98 enacted.....	---	[1,070]	---	
-- to agency appeal.....	590	590	---	
-- to avoid additional delays.....	---	[489]	---	
-- to include unrequested 98 adds.....	---	[250]	---	
Total, Corps of Engineers.....	615	620	30	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
EPA				
Multiagency: Global Climate Change:				
EPA.....	219	42	42	20
Amounts in other Agencies and Base.....	[383]	[308]	[308]	[30]
Total, Global Climate Change.....	[602]	[350]	[350]	[50]
Multiagency: Watershed Health Initiative:				
EPA.....	315	151	151	
Amounts in other Agencies and Base.....	[362]	[299]	[299]	
Total, Watershed Health Initiative.....	[677]	[450]	[450]	
Research Triangle Park, NC (RTP) funded in base; EPA proposal intended to create funding for other base programs.....	[73]	---	[73]	
Increase Clean Water State Revolving Fund to FY98 Enacted Level when Combined with Drinking Water SRF.....	450	450	---	
Earlier Establishment of the Particulate Matter Monitoring Network needed to Implement New Rule.....	91	37	---	
Children's Health Research Centers Initiative.....	55	---	---	
Other Appeals to Base.....	73	---	---	
Superfund Initiative (appeal in 2000 for \$650M).....	---	---	---	
Total, EPA.....	1,203	680	193	20

Potential Allocation of Presidential Priority Reserve

Detail

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

BSB:LGR/JCH

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Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
NSF				
Investments in Basic Research (inflate from FY98 level).....	437	276	276	
Total, NSF	437	276	276	---
Items Funded through Budget Concepts Changes				
Tobacco-funded Research Initiative.....	---	250	250	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

Need memo in this | Border - 39 stops - X ways etc. (NEXTEA)

12-Dec-97
01:22:49 PM
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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
ONDCP				
Increase to Provide for General McCaffrey's Drug Priorities.....	1,186	175	100	
Drug control programs at other agencies.....	---	[250]	[250]	
Total, ONDCP.....	1,186	175	100	---
Total, ONDCP and drug control programs at other agencies.....	[1,186]	[425]	[350]	

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

BSB:LGR/JCH

G:\work\sk99\appeals\agyapplo.wk4

Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
GSA				
Courthouse Construction.....	501	157	--	
Total, GSA.....	501	157	--	--
Judiciary				
Full Funding of Request.....	233	--	--	
Total, Judiciary.....	233	--	--	--
Legislative Branch				
Legislative Branch Estimate.....	150	--	--	
Total, Legislative Branch.....	150	--	--	--
NASA				
Operations.....	420	164	--	164
Total, NASA.....	420	164	--	164

Potential Allocation of Presidential Priority Reserve

Detail

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

BSB:LGR/JCH

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
SBA				
Assistance and Training for Minority and Disadvantaged Business Development.....	15	5	5	
Business Loan Program/Increase Loan Subsidy to fund \$10B loan level.....	8	8	8	
Small and Disadvantaged Business Certifications.....	---	12	---	
Other Appeals to Base.....	524	---		
Total, SBA.....	547	25	13	---

Social Security Administration

Maintain funding of administrative expenses.....	100	100	---	33
Total, Social Security Administration.....	100	100	---	33

Potential Allocation of Presidential Priority Reserve

Detail

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

BSB:LGR/JCH

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Agency	FY 1999			Adds to OMB
	Agency Appeal	Appeals Scrubbed	OMB Option	
Corp. for National & Community Svc:				
Corporation for National & Community Service:				
Build up America Reads in 1 step.....	53	53	44	
Total, Corp. for National & Community Svc.....	53	53	44	—
Equal Employment Opportunity Commission				
Mediation (\$40M over 3 years).....	---	9	9	
Total, Equal Employment Opportunity Commission.....	---	9	9	---
FEMA				
Fully Fund Pre-Disaster Mitigation	20	20	20	
Restore State and Local Grants (EMPA).....	15	15	—	
Total, FEMA.....	35	35	20	---

**Potential Allocation of Presidential Priority Reserve
Detail**

(budget authority, in millions of dollars)

12-Dec-97

01:22:49 PM

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G:\work\sk99\appeals\agyapplo.wk4

Agency	FY 1999			
	Agency Appeal	Appeals Scrubbed	OMB Option	Adds to OMB
National Archives (NARA)				
Repair and Restoration.....	2			
Total, National Archives.....	2	---	---	---
Neighborhood Reinvestment Corporation				
Home Ownership Initiative.....	10	100	30	
Total, Neighborhood Reinvestment Corp.....	10	100	30	---
TVA				
Fund Non-Power Programs through Appropriations not through Power Proceeds.....	70	70	70	
Fund Chickamauga Lock.....	7	7	---	7
Total, TVA.....	77	77	70	7
Other				
Smithsonian Institution: Funding for Base Programs.....	37	---	---	
Total, Other.....	37	---	---	---

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MEMORANDUM FOR THE PRESIDENT

From: Gene Sperling
Bruce Reed
Frank Raines

Subject: Summary of Decisions on the Education Department Budget

At our December 12th meeting, you accepted the discretionary budget level for Education which we presented to you, and asked for a more complete summary of its composition.

TOTAL. This Budget is a 4.7 %, or \$1.4 billion, increase over FY 1998, a total of \$30.9 billion. It funds important new initiatives, maintains or increases major base programs, and continues progress on your previous commitments.

Substantial as it is, it is half the size of dollar increases Education received each of the last two years. Still, it is a large increase given the caps, and we are working on a multi-billion dollar school construction program on the mandatory side. Nevertheless, you can expect Secretary Riley to make a case for a much bigger discretionary increase.

New Initiatives:

After-School program: \$100 million. This \$60 million, or 150%, increase over FY 1998 is part of your Child Care initiative. It builds on 21st Century Schools, for which we obtained first year funding in FY 1998. The increase means 1,500 new school sites, 2,500 total.

College-School Partnerships: \$170 million (ramping up in the outyears). Building on Cong. Fattah's idea, this program will provide continuous mentoring from 6th grade on, to middle and high school students to encourage them to stay in school and prepare for college.

Education Opportunity Zones: \$225 million. This initiative, which we hope to link to Cong. Obey's Comprehensive School Reform grants (see "Base programs" below), will aid high-poverty, low achieving urban and rural school districts, if they implement reforms (e.g., end social promotion, deal with ineffective teachers) and raise student achievement.

Hispanic Education: \$110 million. A package of program increases organized to help Hispanic students complete high school and to enter and succeed in college.

Technology Teacher Training: \$80 million. Adds to your \$.6 billion education technology investments, to ensure that new teachers are trained in the use of the technology.

Base Programs:

Education testing: \$16 million. The full amount needed to maintain progress on test development.

Pell Grants: \$7,779 million. A \$434 million increase over FY 1998 to maintain higher independent student eligibility, and to raise the maximum award from \$3,000 to \$3,100, the highest ever. New cost estimates indicate we may be able to maintain these policies for less. If so, we would reinvest the savings in other Education and Training programs.

America Read, \$260 million. We did not get our America Reads bill in FY 1998. We did obtain increases for tutoring in the Corporation for National and Community Service. Congress did, however, "advance appropriate" \$210 million for FY 1999 for Education, contingent upon enactment of new law. The increase to \$260 million reflects our original first year plan.

Education Technology: \$659 million. A \$75 million increase over FY 1998 to continue support for school investments and development of new software and teaching techniques.

Title I, Education for the Disadvantaged, Grants to LEAs: \$ 7,725 million. A \$350 million increase over FY 1998 to serve an additional 400,000 children in poor communities.

Goals 2000: \$510 million. A \$10 million increase over FY 1998, to maintain momentum in the States for school reform.

Comprehensive School Reform: \$175 million. A \$30 million increase over FY 1998 for demonstrations of school reform models. As noted, we hope to gain Cong. Obey's support of our Education Opportunity Zones by establishing a close linkage between his program and ours.

Adult Education: \$394 million. A \$33 million increase over FY 1998 for basic education and English language training for the disadvantaged, immigrants, and welfare recipients.

Special Education: \$4,811 million. Same as the FY 1998 level, which was increased by \$775 million over FY 1997. States can spend the increase over 2 years. Secretary Riley will be particularly concerned about lack of an FY 1999 increase. We are convinced that no increase will satisfy the advocates, and would prefer to negotiate this level in the context of competing demands in the appropriation bill, rather than use up scarce funds in your Budget now.

College Work-Study, \$915 million. A \$85 million increase over FY 1998, to accelerate toward your goal of 1 million Work-Study positions by FY 2000; many support America Reads tutoring.

Reductions in the Base

A number of programs have been reduced to make room for initiatives and major base programs, including: Impact Aid (-\$92 million), the Education Block Grant (-\$350 million), Perkins Loans

(-\$85 million). Each of these, and others, has a vocal constituency. We believe we can make the case that our funding of initiatives and base programs are all higher priority than these programs.

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ADAP -
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**CHILD CARE INITIATIVE:
OPTIONS FOR DISCRETIONARY SPENDING**

Budget Authority (in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget ^{1/}	50	50	50	50	50	N/A
FY 1998 Enacted/Passback ^{1/}	40	40	40	40	40	40
<u>Changes to Passback</u>						
Option #1.....		+221	+271	+321	+321	+321
Option #2.....		+750	+750	+750	+750	+750

^{1/} 21st Century Community Learning Centers;

- **Background.** An EXOP and interagency group has been working to develop a child care initiative. HHS and Education requested \$2.16 billion (\$10.8 billion over five years) in mandatory funds for this initiative.
- OMB, DPC/OFL and NEC have developed two child care options for discretionary spending.
- Option #1 costs \$221 million in FY 1999, and \$1,455 million over five years. This option includes the following:
 - Standards Enforcement (\$100 million). This new activity would support State and local systems to enforce state health and safety standards and to issue report cards. In particular, this fund would support improvements to licensing and accreditation of child care providers and to increasing unannounced inspections of child care settings.
 - 21st Century Community Learning Centers (\$60 million). Additional funds to add 1,500 public school buildings available for after-school programs, serving up to 75,000 school-age children. The total program in FY 1999 would be \$100 million (\$60 million in new funds), a 150 percent increase over FY 1998. This program would grow to \$200 million by FY 2001.
 - Provider Scholarship Loan Fund (\$50 million). Announced by the President at the *White House Conference on Child Care*. With State and local matching, the program will provide scholarships for up to 50,000 providers per year.
 - Child Care Apprenticeship Training Program: \$1 million. Ten FTE and related technical assistance funds to expand the DOL Child Care Apprenticeship Program, which funds the training of child care providers working toward a

degree equivalent to the Child Development Associate degree. This program currently exists in only one state. Apprenticeship program participants would be eligible for Child Care Provider Scholarships.

- Research and Evaluation Fund (\$10 million). Establish a new fund to support analysis of child care data, research projects and technological development, including a focus on ways to train child care providers in rural regions. This activity would also fund State and local consumer education efforts, state and local hotlines, resource and referral programs designed to assist parents in identifying and locating quality child care, and a National Center on Child Care Statistics.
- Early Learning Fund (\$400 million). Addressed as a mandatory program. If funds cannot be identified on the mandatory side, this item will compete for discretionary funds.
- Option #2 costs \$700 million in FY 1999 and \$3,750 million over five years. This option increases funding for some of the programs listed in Option #1 and provides discretionary funding for an Early Learning Fund, as described below:
 - Early Learning Fund (\$400 million). To provide challenge grants to communities (e.g., counties or local public-private partnerships) to support child care providers and programs through a range of activities developed at the community level. Funds could be used for: (1) basic training to providers; (2) creating and supporting family day care networks; (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; (5) reducing group sizes and child-to-staff ratios; and (6) providing home visits, parent education, and consumer education about child care.
 - 21st Century Community Learning Centers (\$160 million). Provides additional funding in FY 1999 so that the program will grow from \$40 million in FY 1998 to \$200 million in FY 1999. These funds will add 4,000 new public school sites available for after-school programs, serving up to 200,000 additional children.
 - Research and Evaluation Fund (\$30 million). Increases the research fund beyond the amount provided in Option #1. It is unclear if the Option #1 funding level could support all the activities described.
 - Child Care Apprenticeship Training Program (\$10 million). Additional funds to finance a contract for an intermediary to assist states in replicating the program and for assessing results.
 - Standards Enforcement (\$100 million) and Child Care Provider Scholarship Fund (\$50 million). Proposes the same funding levels as in Option #1.

- Increases to Head Start and Early Head Start will be considered separately, but have also been recommended by the DPC/OFL as part of the Child Care Initiative.
- Increases to the Child Care and Development Block Grant (CCDBG), reforms to the Child and Dependent Care Tax Credit (DCTC), and a new tax credit for business may be addressed in discussions of mandatory funding for the Child Care Initiative. The DPC/OFL recommends DCTC reform at a cost of \$5.2 billion over five years, CCDBG expansion at a cost of \$4 billion over five years, and a tax credit for businesses at a cost of \$1 to \$2 billion over five years.

SOURCES OF SPENDING ON NEW INITIATIVES
(preliminary estimates, dollars in billions)

	<u>FY 1999</u>	<u>5 years</u>
Mandatories:		
Veterans tobacco.....	0	6.4
Cost allocation.....	0.5	2.9
Education reform.....	0.9	4.0
State bank fees.....	0.1	0.5
Child support enforcement.....	0.06	0.3
Agriculture.....	0.3	1.6
Subtotal.....	1.9	15.7
Revenues:		
Options from the FY 1998 budget.....	2.8	19.9
Subtotal.....	2.8	19.9
TOTAL, MANDATORIES AND REVENUES.....	4.6	35.6

Limited Use Mandatories:

Directed State use of tobacco settlement.....	2.3	14.9
Medicare error reduction/modest policy changes.....	0.2	2
Medicare income-related premiums.....	2	12
Subtotal.....	16.4	28.9



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$\$210$

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FY 1999 Passback Relative to FY 1998 Enacted
(Outlays in billions)

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	FY 1998 Enacted	Passback	Absolute Change	Percent Change
Agriculture.....	15.5	15.2	-0.311	-2.0%
Commerce.....	4.3	4.6	0.303	7.1%
Education.....	26.4	29.0	2.626	10.0%
Energy.....	5.8	5.4	-0.353	-6.1%
Health and Human Services.....	35.7	35.2	-0.522	-1.5%
Housing and Urban Development.....	33.9	34.0	0.082	0.2%
Interior.....	7.7	7.6	-0.138	-1.8%
Justice.....	16.2	16.8	0.600	3.7%
Labor.....	10.3	10.7	0.348	3.4%
State.....	4.7	5.1	0.390	8.2%
Transportation.....	36.8	37.8	1.036	2.8%
Treasury.....	11.0	11.4	0.406	3.7%
Veterans Affairs.....	18.9	18.8	-0.123	-0.6%
Corps of Engineers.....	4.0	3.4	-0.664	-16.4%
Environmental Protection Agency.....	6.6	7.0	0.436	6.6%
Federal Emergency Management Agency.....	4.2	3.1	-1.060	-25.5%
General Services Administration.....	0.4	0.2	-0.199	-47.2%
National Aeronautics & Space Administration...	13.6	13.3	-0.275	-2.0%
National Science Foundation.....	3.2	3.3	0.093	2.9%
Office of Personnel Management.....	0.2	0.2	-0.017	-8.3%
Small Business Administration.....	0.8	0.7	-0.090	-11.3%
Social Security Administration.....	5.6	6.4	0.763	13.6%
Legislative Branch.....	2.3	2.4	0.037	1.6%
Judiciary.....	3.1	3.3	0.160	5.1%
Other.....	18.4	18.3	-0.081	-0.4%
Non-Defense.....	289.6	295.4	5.728	2.0%
Defense.....	262.4	266.3	3.958	1.5%
Total Discretionary.....	552.0	561.7	13.148	1.8%

1 Includes enacted emergencies.

Caps:

Non-Defense.....	289.3	295.4	6.100	2.1%
Defense.....	267.0	266.3	-0.686	-0.3%
Total.....	556.3	561.7	5.4	1.0%
Caps Less Passback.....		0.0		

FY 1999 Passback Relative to FY 1998 Enacted
(Budget Authority in billions)

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	FY 1998 Enacted	Passback	Absolute Change	Percent Change
Agriculture.....	15.3	14.9	-0.361	-2.4%
Commerce.....	4.3	4.7	0.473	11.1%
Education.....	29.2	29.5	0.354	1.2%
Energy.....	5.0	5.5	0.552	11.1%
Health and Human Services.....	36.9	34.9	-2.068	-5.6%
Housing and Urban Development.....	24.1	24.4	0.272	1.1%
Interior.....	8.1	7.4	-0.645	-8.0%
Justice.....	17.1	17.5	0.411	2.4%
Labor.....	10.7	10.7	0.015	0.1%
State.....	4.7	5.3	0.582	12.3%
Transportation.....	39.9	37.5	-2.358	-5.9%
Treasury.....	11.5	11.7	0.219	1.9%
Veterans Affairs.....	18.9	18.7	-0.249	-1.3%
Corps of Engineers.....	4.0	3.0	-1.058	-26.1%
Environmental Protection Agency.....	7.4	7.4	0.034	0.5%
Federal Emergency Management Agency.....	0.8	0.8	-0.025	-3.2%
General Services Administration.....	0.1	0.1	0.024	25.3%
National Aeronautics & Space Administration...	13.3	13.2	-0.026	-0.2%
National Science Foundation.....	3.4	3.2	-0.187	-5.6%
Office of Personnel Management.....	0.2	0.2	-0.009	-4.6%
Small Business Administration.....	0.7	0.7	-0.011	-1.5%
Social Security Administration.....	5.5	6.2	0.759	13.9%
Legislative Branch.....	2.3	2.4	0.065	2.8%
Judiciary.....	3.2	3.3	0.089	2.8%
Other.....	18.9	18.2	-0.727	-3.8%
Non-Defense.....	285.4	286.2	0.884	0.3%
Defense.....	268.5	271.5	2.966	1.1%
Total Discretionary.....	553.8	557.7	3.716	0.7%

1 Includes enacted emergencies.

Caps:

Non-Defense.....	286.7	291.3	4.582	1.6%
Defense.....	268.6	271.4	2.861	1.1%
Total.....	555.2	562.7	7.4	1.3%
Caps Less Passback.....		5.0		

**CHILD CARE INITIATIVE:
OPTIONS FOR DISCRETIONARY SPENDING**

Budget Authority (in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget ^{1/}	50	50	50	50	50	N/A
FY 1998 Enacted/Passback ^{1/}	40	40	40	40	40	40
<u>Changes to Passback</u>						
Option #1.....		+221	+271	+321	+321	+321
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- **Background.** An EXOP and interagency group has been working to develop a child care initiative. HHS and Education requested \$2.16 billion (\$10.8 billion over five years) in mandatory funds for this initiative.
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- Option #1 costs \$221 million in FY 1999, and \$1,455 million over five years. This option includes the following:
 - Standards Enforcement (\$100 million). This new activity would support State and local systems for health and safety monitoring, report cards, and assistance in attaining private accreditation for child care providers. This activity would also fund State and local consumer education efforts, state and local hotlines, and resource and referral programs designed to assist parents in identifying and locating quality child care. } ?
 - 21st Century Community Learning Centers (\$60 million). Additional funds to add 1,500 school buildings and other sites available for after-school programs for school-age children. The total program in FY 1999 would be \$100 million (\$60 million in new funds), a 150 percent increase over FY 1998. This program would grow to \$200 million by FY 2001.
 - Provider Scholarship Loan Fund (\$50 million). Announced by the President at the *White House Conference on Child Care*. With State and local matching, the program will provide scholarships for up to 50,000 providers.
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care providers working toward a degree equivalent to the Child Development Associate degree. This program currently exists in only one state. Apprenticeship program participants would be eligible for Child Care Provider Scholarships.

- Research Fund (\$10 million). Establish a new fund to support analysis of child care data and research projects, including a focus on methods and technology that can be used to train child care providers in rural regions.
- Early Learning Fund (\$400 million). Addressed as a mandatory program.
- Option #2 costs \$700 million in FY 1999 and \$3,750 million over five years. This option increases funding for some of the programs listed in Option #1 and provides discretionary funding for an Early Learning Fund, as described below:
 - Early Learning Fund (\$400 million). To provide challenge grants to communities (e.g., counties or local public-private partnerships) to support child care providers and programs through a range of activities developed at the community level. Funds could be used for: (1) basic training to providers; (2) creating and supporting family day care networks; (3) assisting providers in meeting accreditation and licensing requirements; (4) linking child care providers with health professionals; and (5) providing home visits, parent education, and consumer education about child care.
 - 21st Century Community Learning Centers (\$160 million). Provides additional funding in FY 1999 so that the program will grow from \$40 million in FY 1998 to \$200 million in FY 1999. These funds will add 4,000 new sites available for after-school programs.
 - Research Fund (\$30 million). Increases the research fund beyond the amount provided in Option #1.
 - Child Care Apprenticeship Training Program (\$10 million). Additional funds to finance a contract for an intermediary to assist states in replicating the program and for assessing results.
 - Standards Enforcement (\$100 million) and Child Care Provider Scholarship Fund (\$50 million). Proposes the same funding levels as in Option #1.
- Increases to the Child Care and Development Block Grant (CCDBG) and reforms to the Child and Dependent Care Tax Credit (DCTC) may be addressed in discussions of mandatory funding for the Child Care Initiative. The DPC/OFL recommends DCTC reform at a cost of \$5.2 billion over five years and CCDBG expansion at a cost of \$4 billion over five years.

National Institutes of Health (NIH) Funding Options

(Dollars in millions)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	1999-2003	1999-2008
BASELINE: NO GROWTH	12,741	13,648	13,648	13,648	13,648	13,648	13,648	13,648	13,648	13,648	13,648	13,648		
BASELINE: CPI	12,741	13,648 907	14,030	14,423	14,827	15,242	15,669	16,107	16,558	17,022	17,499	17,989		
Increase over Flat Baseline	0	0	382	775	1,179	1,594	2,021	2,459	2,910	3,374	3,851	4,341	5,951	22,886
Growth	6.8%	7.1%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
1. HHS Appeal		13,648	14,801	16,051	17,407	18,877	20,472	22,202	24,078	26,112	28,318	30,711		
Increase over Flat Baseline			1,153	2,403	3,759	5,229	6,824	8,554	10,430	12,464	14,670	17,063	19,368	82,549
Growth			8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%	8.4%
2. Tobacco Settlement		13,648	16,148	16,148	17,148	17,648	18,648	16,148	16,148	16,148	13,648	13,648		
Increase over Flat Baseline			2,500	2,500	3,500	4,000	5,000	2,500	2,500	2,500	0	0	17,500	25,000
Growth			18.3%	0.0%	6.2%	2.9%	5.7%	-13.4%	0.0%	0.0%	-15.5%	0.0%	6.4%	0.0%
3. NIH: \$750 m in 1999		13,648	14,398	16,849	19,717	23,073	27,000	31,596	36,974	43,267	50,632	59,250		
Increase over Flat Baseline			750	3,201	6,069	9,425	13,352	17,948	23,326	29,619	36,984	45,602	32,796	186,275
Growth			5.5%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	14.6%	15.8%
NSF: \$250 m in 1999		3,400	3,650	3,833	4,024	4,225	4,437	4,658	4,891	5,136	5,393	5,662		
Increase over Flat Baseline			250	433	624	825	1,037	1,258	1,491	1,736	1,993	2,262	3,169	11,909
Growth			7.4%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.5%	5.2%
TOTAL INCREASE			1,000	3,633	6,693	10,250	14,389	19,206	24,817	31,355	38,977	47,865	35,965	198,185
4. NIH: \$1.2 b in 1999		13,648	14,801	15,467	16,163	16,890	17,650	18,445	19,275	20,142	21,049	21,996		
Increase over Flat Baseline			1,153	1,819	2,515	3,242	4,002	4,797	5,627	6,494	7,401	8,348	12,732	45,398
Growth			8.4%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	5.3%	4.9%
NSF: \$250 m in 1999		3,400	3,650	3,760	3,872	3,988	4,108	4,231	4,358	4,489	4,624	4,762		
Increase over Flat Baseline			250	360	472	588	708	831	958	1,089	1,224	1,362	2,378	7,843
Growth			7.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.9%	3.4%
TOTAL INCREASE			1,403	2,179	2,987	3,831	4,711	5,628	6,585	7,583	8,624	9,710	15,110	53,241

Potential Allocation of Presidential Priority Reserve,
Summary

(budget authority, in millions of dollars)

11-Dec-97

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Agriculture.....	990	455	117
Commerce.....	554	249	97
Education.....	2,223	2,353	1,420
Energy.....	484	293	293
HHS.....	3,501	1,537	743
HUD.....	293	293	293
Interior.....	1,502	517	134
International Affairs.....	1,533	1,019	183
Justice.....	1,334	1,113	119
Labor.....	474	407	221
Transportation.....	460	45	45
Treasury.....	795	625	209
Veteran's Affairs.....	220	220	---
EPA.....	753	680	193
GSA.....	501	157	---
Judiciary.....	233	---	---
Legislative Branch Estimate.....	150	---	---
NASA.....	420	164	---
NSF.....	437	276	276
SBA.....	547	25	13
Corps of Engineers.....	615	620	30
Corp. for National & Community Svc.:.....	53	53	44
Social Security Administration.....	100	100	---
FEMA.....	35	35	20
Neighborhood Reinvestment Corp.....	10	100	30
ONDCP.....	1,186	175	100
Equal Employment Opportunity Commission.....	---	9	9
TVA.....	77	77	70
Other.....	37	---	341
Total.....	19,517	11,597	5,000

All of this is included in center column.

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-87

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Agriculture			
Environment:			
Multiagency: Watershed Health Initiative.....	337	84	84
Corps.....	[25]	[30]	[30]
EPA.....	[315]	[151]	[151]
DOI.....	---	[39]	[39]
Amounts in Base.....	---	[146]	[146]
Total, Watershed Health Initiative.....	[677]	[450]	[450]
Land and Water Restoration Funds.....	---	[338]	---
Global Climate Change.....	53	10	10
Commerce.....	[12]	[2]	[2]
Energy.....	[448]	[136]	[136]
EPA.....	[219]	[42]	[42]
HUD.....	[10]	[10]	[10]
Total, Global Climate Change.....	[742]	[200]	[200]
		<i>Amts in base - ISD (included in passback)</i>	
Crime/Drugs:			
IG/Law Enforcement.....	44	23	23
General Government:			
Infrastructure Initiative.....	456	---	---
Customer Service Initiative.....	100	---	---
Total, Agriculture.....	990	455	117

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Commerce			
Education and Training:			
CPB and Commerce: Support Public Broadcasting Digital Transition.....	110	55	55
Environment:			
Commerce: NOAA - Replace Fisheries Research Ships (starts in 2000).....	40	---	---
Global Climate Change.....	12	2	2
Agriculture.....	[53]	[10]	[10]
Energy.....	[448]	[136]	[136]
EPA.....	[219]	[42]	[42]
HUD.....	[10]	[10]	[10]
Total, Global Climate Change.....	[742]	[200]	[200]
Research:			
Commerce: NIST - Construct Advanced Measurement Laboratory.....	40	63	40
NIST - Advanced Technology Program.....	29	10	---
General Government:			
Patent and Trademark Office: End Surcharge while Raising Patent Fees.....	79	119	---
Census Bureau: Decennial Census - Dual Track Approach.....	244	---	---
Total, Commerce.....	554	249	97

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Education:			
Child Care Initiative:			
(most of the funding for this initiative is mandatory or tax initiatives).....	---	150	60
- After-school (Ed).....		[150]	
- Childcare Provider Training (Labor) (HHS).....		[50]	
- Standards Enforcement (HHS).....		[100]	
- Childcare Provider Training (HHS) (Labor).....		[10]	
- Research Fund (HHS).....		[30]	
- WIC Early Learning (HHS).....		[400]	
Total, Child Care Initiative.....		[740]	
Education and Training:			
Possible Education Initiatives:	---	[1418]	600
- College Prep Mentoring/Information.....		320	
- Urban/Rural School Improvements.....		320	
- Hispanic Initiatives.....		200	
- Child Labor Initiative.....		89	
- Training Teachers in Technology Use.....		100	
- Learning on Demand.....		50	
- Head Start further expansion.....		150	
- Other Education Initiatives.....		189	
Impact of Federal Aid on Minority Access and Retention in Higher Education.....	50	50	25
Title 1, Ed for the Disadvantaged.....	494	250	250
Comprehensive School Reform Demonstrations.....	175	145	145
Bilingual and Immigrant Education 5% above FY98 Level.....	41	18	18*
Vocational Education to FY98 Level.....	159	---	---
Adult Education, 6% above FY98 (to FY98 President's Budget).....	45	22	22
Pell Grants, Increase Independent Students.....	361	250	250
Special Education 5% above FY98.....	262	---	---
Assistance for DC Public Schools.....	20	---	---
Other Student Financial Aid Programs.....	186	---	---
Vocational Rehabilitation Funding.....	200	---	---
Institutional Retention Grants.....	180	---	---

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Research			
Education: NSF/ED - Education Research.....	50	50	50
Total, Education.....	2,223	2,353	1,420

Potential Allocation of Presidential Priority Reserve,

Detail

(budget authority, in millions of dollars)

11-Dec-97

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Energy			
Environment:			
Global Climate Change.....	448	136	136
Agriculture.....	[53]	[10]	[10]
Commerce.....	[12]	[2]	[2]
EPA.....	[219]	[42]	[42]
HUD.....	[10]	[10]	[10]
Total, Global Climate Change.....	[742]	[200]	[200]
Research:			
Construction of National Spallation Neutron Source.....	---	157	157
General Government:			
Elk Hills California Settlement.....	36	---	---
Total, Energy.....	484	293	293

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-87

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
HHS			
Child Care Initiative:			
(most of the funding for this initiative is mandatory or tax initiatives).....	---	540	140
- After-school (Ed).....		[150]	
- Childcare Provider Training (Labor).....		[50]	
- Standards Enforcement (HHS).....		[100]	
- Childcare Provider Training (HHS).....		[10]	
- Research Fund (HHS).....		[30]	
- WIC Early Learning (HHS).....		[400]	
Total, Child Care Initiative.....		[740]	
Health:			
NIH Initiative.....	1,153	[1,000]	[750]
CDC - Youth Smoking Initiative.....	74	[54]	[21]
FDA - Youth Smoking Initiative.....	46	[46]	[9]
SAMHSA - Increase Substance Abuse Block Grant.....	160	200	100
HRSA - Increase Ryan White vs FY98.....	100	165	115
CDC - Lead Poisoning.....	---	4	---
AHCPR - Health Care Quality.....	90	25	15
Food Safety: add to initiative.....	60	60	---
Initiatives to Reduce Race Related Health Disparities.....	30	100	30
Other Appeals to Base.....	1,787	---	---
Low-Income Programs:			
Restoration of Reductions to LIHEAP.....	---	442	342
Other:			
Office for Civil Rights.....	1	1	1
Total, HHS.....	3,501	1,537	743

80

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
HUD			
Environment:			
Global Climate Change.....	10	10	10
Agriculture.....	[53]	[10]	[10]
Commerce.....	[12]	[2]	[2]
Energy.....	[448]	[136]	[136]
EPA.....	[219]	[42]	[42]
Total, Global Climate Change.....	[742]	[200]	[200]
Low-Income Programs:			
Vouchers for Welfare to Work.....	283	283	283
Total, HUD.....	293	293	293

~~Do we agree with
their other 80,000
vouchers?~~

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Interior			
Crime/Drugs:			
Indian Country Law Enforcement	90	90	25
Justice.....	[12]	[115]	[0]
Total, Indian Country Law Enforcement.....	[102]	[205]	[25]
Economic Development:			
Treasury Loan to Presidio Trust (CA).....	25	25	10
Park Service - provide 50% Federal cost share for Constitution Center museum/visitor center in Philadelphia (\$65M 5-year commitment).....	---	5	---
Environment:			
Protecting Species and Habitats (ESA).....	134	50	50
Fund existing Natural Resource Protection Priorities at FY98 Enacted Levels (starts in 2000).....	156	---	---
Multiagency: Watershed Health Initiative.....	---	39	39
Agriculture.....	[337]	[84]	[84]
Corps.....	[25]	[30]	[30]
EPA.....	[315]	[151]	[151]
Amounts in Base.....	---	[146]	[146]
Total, Watershed Health Initiative.....	[677]	[450]	[450]
Land and Water Restoration Funds (includes USDA component).....	1,070	227	[227]
Everglades.....	---	50	---
General Government:			
Indian Land Consolidation.....	25	25	10
Guam Compact Impact.....	---	6	---
Indian Trust Fund.....	2	---	---
Total, Interior.....	1,502	517	134

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
International Affairs			
AID:			
Development Assistance.....	105	70	---
Civil Society Trust for Central and Eastern Europe.....	13	13	13
Summit of the Americas Initiative.....	25	20	20
Assistance for the New Independent States.....	249	130	---
Transition Initiative.....	60	60	---
Foreign Military Financing.....	87	30	---
Assistance for Eastern Europe and the Baltic States.....	51	51	---
Multiagency: Africa Initiative.....	155	100	30
Peace Corps:			
Millennium Initiative.....	48	48	48
State:			
Increase Annual Assessed Costs for International Organizations.....	62	62	62
Migration and Refugee Assistance.....	60	60	---
International Narcotics and Crime.....	30	45	---
Contributions to International Peacekeeping.....	23	23	---
Diplomatic and Consular Programs.....	176	60	---
US Contribution to a Holocaust Relief Fund Initiative.....	10	10	10
Increased Funding for Haiti, Economic Support Fund.....	40	40	---
Economic Support Fund.....	115	115	---
Peacekeeping and Training.....	48	22	---

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Treasury:			
Regular Debt Forgiveness.....	58	5	---
IMF Structural Facility.....	30	30	---
U.S. Information Agency:			
International Information and Broadcast Operations.....	88	25	---
Total, International Affairs.....	1,533	1,019	183

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Justice			
Anti-Terrorism/Counter-Terrorism:			
Purchase FBI Helicopters.....	5	31	---
State and Local First Responder Training.....	21	16	16
Crime/Drugs:			
Community Prosecutors.....	---	100	---
Increase Byrne Anti-Drug Grants for Drug Treatment.....	---	100	---
Fund 1000 New Border Patrol Agents.....	104	103	103
Fund Law Enforcement Block Grant.....	523	523	---
Indian Country Law Enforcement.....	12	115	---
Interior.....	[90]	[90]	[25]
Total, Indian Country Law Enforcement.....	[102]	[205]	[25]
Construction of new Federal Prison (recommend funding in 2000).....	125	125	---
Computer Crime/Critical Infrastructure.....	61	---	---
Immigration Detention and Support.....	118	---	---
Other:			
Other Appeals to Base.....	365	---	---
Total, Justice.....	1,334	1,113	119

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Labor			
Child Care Initiative:			
(most of the funding for this initiative is mandatory or tax initiatives).....			
	---	50	---
- After-school (Ed).....		[150]	
- Childcare Provider Training (Labor).....		[50]	
- Standards Enforcement (HHS).....		[100]	
- Childcare Provider Training (HHS).....		[10]	
- Research Fund (HHS).....		[30]	
- WIC Early Learning (HHS).....		[400]	
Total, Child Care Initiative.....		[740]	
Education & Training:			
Youth Training (restore elimination of program in base).....	130	130	130
Adult Training (restore to 1998 request; base at 1998 enacted).....	109	109	---
Labor:			
Unemployment Trust Fund (Integrity Initiative).....	235	91	91
International Child Labor Initiative.....	---	27	---
Total, Labor	474	407	221

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Transportation			
Set Surface Transportation Spending (Highways, Highway Safety, and Transit) Equal to Highway Trust Fund Receipts	[6,114]	[6,114]	[6,114]
Border Infrastructure.....	45	45	45
Increase Coast Guard funding.....	415	---	---
Restore funding for airport grants:			
to '98 enacted.....	[1,250]	---	---
to '98 budget request.....	---	[550]	[550]
Accelerate Funding of "Free Flight" Gore Commission Demonstration Project from 2000 to 1999	[131]	[90]	---
Total, Transportation.....	460	45	45

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Treasury			
Anti-Terrorism/Counter-Terrorism:			
Enhance Role of Secret Service at Special Events.....	---	47	---
Crime/Drugs:			
Restore Tax Law Enforcement.....	120	91	91
President's Youth Crime Gun Interdiction.....	20	16	16
Customs: Narcotics Init., Automated Targeting, Non-Intrusive Inspection.....	101	29	29
General Government:			
IRS:			
Customer Service.....	213	213	73
Organizational Modernization.....	80	---	---
Trade/Fast Track:			
Customs Commercial Operations.....	65	33	---
Other:			
Other Appeals to Base.....	196	196	---
Total, Treasury.....	795	625	209

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Veteran's Affairs			
General Government:			
Show No Decrease from Enacted.....	220	220	---
Total, Veteran's Affairs.....	220	220	---

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
EPA			
Environment:			
Increase Clean Water State Revolving Fund to FY98 Enacted Level when Combined with Drinking Water SRF.....	---	450	---
Multiagency: Watershed Health Initiative.....	315	151	151
Agriculture.....	[337]	[84]	[84]
Corps.....	[25]	[30]	[30]
DOI.....	---	[39]	[39]
Amounts in Base.....	---	[146]	[146]
Total, Watershed Health Initiative.....	[677]	[450]	[450]
Earlier Establishment of the Particulate Matter Monitoring Network needed to Implement New Rule.....	91	37	---
Global Climate Change.....	219	42	42
Agriculture.....	[53]	[10]	[10]
Commerce.....	[12]	[2]	[2]
Energy.....	[448]	[136]	[136]
HUD.....	[10]	[10]	[10]
Total, Global Climate Change.....	[742]	[200]	[200]
Research Triangle Park, NC (RTP) funded in base; EPA proposal intended to create funding for other base programs.....	[73]	---	[73]
Children's Health Research Centers Initiative.....	55	---	---
Superfund Initiative (appeal in 2000 for \$650M).....	---	---	---
Other:			
Other Appeals to Base.....	73	---	---
Total, EPA.....	753	680	193

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
GSA			
General Government:			
Courthouse Construction.....	501	157	---
Total, GSA.....	501	157	---
Judiciary			
Crime/Drugs:			
Full Funding of Request.....	233	---	---
Total, Judiciary.....	233	---	---
Legislative Branch			
Legislative Branch Estimate.....	150	---	---
Total, Legislative Branch.....	150	---	---
NASA			
Operations.....	420	164	---
Total, NASA.....	420	164	---
NSF			
Research:			
Investments in Basic Research (inflate from FY98 level).....	437	276	276
Tobacco-funded Research Initiative.....	---	[250]	[250]
Total, NSF.....	437	276	276

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:28 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
SBA			
Economic Development:			
Small and Disadvantaged Business Certifications.....	---	12	---
Assistance and Training for Minority and Disadvantaged Business Development.....	15	5	5
Business Loan Program/Increase Loan Subsidy to fund \$10B loan level.....	8	8	8
Other Appeals to Base.....	524	---	---
Total, SBA.....	547	25	13
Corps of Engineers			
Economic Development:			
Restore Construction and O & M Funding to:			
-- '98 enacted.....	---	[1,070]	---
-- agency appeal.....	590	590	---
-- avoid additional delays.....	---	[489]	---
-- except the effect of unrequested 98 adds.....	---	[250]	---
Environment:			
Multiagency: Watershed Health Initiative.....	25	30	30
Agriculture.....	[337]	[84]	[84]
EPA.....	[315]	[151]	[151]
DOI.....	---	[39]	[39]
Amounts in Base.....	---	[146]	[146]
Total, Watershed Health Initiative.....	[677]	[450]	[450]
Total, Corps of Engineers.....	615	620	30

**Potential Allocation of Presidential Priority Reserve,
Detail**

(budget authority, in millions of dollars)

11-Dec-97

02:53:26 PM

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Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Corp. for National & Community Svc:			
Corporation for National & Community Service:			
Build up America Reads in 1 step.....	53	53	44
Total, Corp. for National & Community Svc.....	53	53	44
 Social Security Administration			
General Government			
Maintain funding of administrative expenses.....	100	100	---
Total, Social Security Administration.....	100	100	---
 FEMA			
Disaster Assistance:			
Fully Fund Pre-Disaster Mitigation	20	20	20
Restore State and Local Grants (EMPA).....	15	15	---
Total, FEMA.....	35	35	20

**Potential Allocation of Presidential Priority Reserve,
Detail**

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11-Dec-97

02:53:26 PM

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G:\work\sk99\appeals\agyappln.wk4

Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
Neighborhood Reinvestment Corporation			
Low Income Programs:			
Home Ownership Initiative.....	10	100	30
Total, Neighborhood Reinvestment Corp.....	10	100	30
ONDCP			
Crime/Drugs:			
Increase to Provide for General McCaffrey's Drug Priorities (OMB option is part of \$350M for Federal drug control programs for all agencies).....	1,186	175	100
Total, ONDCP.....	1,186	175	100
Equal Employment Opportunity Commission			
General Government:			
Mediation (\$40M over 3 years).....	--	9	9
Total, Equal Employment Opportunity Commission.....	—	9	9

**Potential Allocation of Presidential Priority Reserve,
Detail**

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11-Dec-97

02:53:26 PM

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G:\work\sk99\appeals\agysappln.wk4

Agency	FY 1999		
	Agency Appeal	Appeals Scrubbed	OMB Option
TVA			
Economic Development:			
Fund Non-Power Programs through Appropriations not through Power Proceeds.....	70	70	70
Fund Chickamauga Lock.....	7	7	---
Total, TVA.....	77	77	70
Other			
General Government:			
Smithsonian Institution: Funding for Base Programs.....	37	---	---
Total, Other.....	37	---	---